

**LEMON GROVE SANITATION DISTRICT  
AGENDA ITEM SUMMARY**

**Item No.**   X    
**Mtg. Date**   April 18, 2017    
**Dept.**   Public Works  

**Item Title:**   **Wastewater Rate Case**

**Staff Contact:**   Mike James, Assistant City Manager / Public Works Director

**Recommendation:**

Staff recommends that the District Board:

1. Conduct a public hearing,
2. Make a finding regarding the number of written protests received, and
3. Introduce and conduct first reading, by title only, of Ordinance No. 28 (**Attachment C**).

**Item Summary:**

On February 7, 2017, the District Board (Board) received a technical memorandum from staff that outlined four wastewater rate alternatives, recommended new reserve funds, and established a target reserve amount for each reserve fund. After discussing the information, the Board selected the rate alternative to implement a 5.75 percent increase for five years, created a pure water reserve fund, created a connection fee fund, and directed staff to move forward with the public noticing process (**Attachment D**) to adhere to Proposition 218 requirements.

The staff report (**Attachment A**) describes the District's background information regarding sanitation district rates approved and implemented, reviews key points in the technical memorandum (**Attachment B**) prepared by NBS Governmental Finance Group, and concludes with staff's recommendation to conduct a public hearing, introduce and conduct first reading of Ordinance No. 28 (**Attachment C**).

**Fiscal Impact:**

In Fiscal Year 2017-2018, a 5.75 percent increase will increase the cost per equivalent dwelling unit from \$553.17 to \$584.98 per year. The annual increase of \$31.81 equates to an increase of \$2.65 per month during the first year of rate study period.

**Environmental Review:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration           |
| <input type="checkbox"/> Categorical Exemption, Section   | <input type="checkbox"/> Mitigated Negative Declaration |

**Public Information:**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> None                     | <input type="checkbox"/> Newsletter article   | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting |   |

**Attachments:**

- |                         |                           |
|-------------------------|---------------------------|
| A. Staff Report         | D. Proposition 218 Notice |
| B. Technical Memorandum |                           |
| C. Ordinance No. 28     |                           |



# Attachment A

## LEMON GROVE SANITATION DISTRICT STAFF REPORT

Item No.   X  

Mtg. Date   April 18, 2017  

Item Title: **Wastewater Rate Case Study**

Staff Contact: Mike James, Assistant City Manager / Public Works Director

### Discussion:

On February 7, 2017, the District Board (Board) received a technical memorandum (**Attachment B**) prepared by NBS Governmental Finance Group (NBS) that outlined four wastewater rate alternatives, established new reserve funds, and established a target reserve amount for each reserve fund.

The primary reason that the District is considering a rate increase, establishing new reserve funds and establishing funding goals for each reserve fund is due to the acceleration of the City of San Diego's Pure Water Program (Pure Water). With the recent unilateral actions taken by the City of San Diego, all participating agencies in Metro Wastewater Commission/Joint Powers Authority are realizing significant cost increases. The District estimated cost increase due to Pure Water is anticipated to equal \$3.8 million over the next five years. Many of the other participating agencies are performing studies at this time and the vast majority are anticipating rate increases to afford Pure Water expenditures.

After receiving a report from NBS and discussing the information contained in the presentation, the Board directed staff to implement the 5.75 percent increase each year for five years, create a pure water reserve fund, create a connection fee fund, maintain the 40 percent operational reserve threshold, and directed staff to move forward with the public noticing process (**Attachment D**) to adhere to Proposition 218 requirements.

### Rate History:

Since 2007, the Board has implemented incremental rate increases which have allowed the District to remain financially stable. The table below compares the maximum amount that rates were approved versus the actual change that was implemented by the Board.

	Projected Change	Actual Change
FY 2007/08	+7.7%	+7.7%
FY 2008/09	+7.7%	+7.7%
FY 2009/10	+7.7%	+7.7%
FY 2010/11	+7.2%	+7.2%
FY 2011/12	+3.75%	+3.75%
FY 2012/13	+3.75%	+3.25%
FY 2013/14	+3.75%	+3.5%
FY 2014/15	+3.75%	+1.72%

# Attachment A

	Projected Change	Actual Change
FY 2015/16	+3.75%	+1.72%
FY 2016/17	0%	0%

It is important to note that when it financially feasible, the Board reduced the amount of each year's increase from the projection because there was no financial need that would have supported the projected change.

## Highlights of the Technical Memorandum:

The City Council directed staff, on February 7, 2017, to implement the following key portions of the technical memorandum highlighting the wastewater rate study moving forward:

- A 5.75% increase for the next five years,
- Maintain a 40% operational reserve,
- Create a capital reserve fund, connection fee fund, and a pure water reserve fund, and
- Consider all future capital and operational costs for the next 5 years.

Staff, in close work with NBS, have implemented these recommendations. NBS staff will present those final recommendations.

## Public Noticing Process:

In keeping with the City Council direction as well as complying with Proposition 218, NBS created and mailed a public notice (**Attachment D**) on March 3, 2017 which was distributed at least 45 days prior to the public hearing date. The notice was sent to all district users in English and Spanish.

As of April 13, 2017, the District has received 45 written protests to the recommended establishment of a maximum wastewater rate increase for the next five years. 41 of the 45 protests written protest letters were validated. The four protests that were not valid included one was a duplicate, one was had no parcel or address identification, and two were submitted via email or fax which are invalid forms to submit a protest.

Staff recommends, at the conclusion of the public hearing, that the Board makes a finding that there were or were not a majority of property owners of the identified parcels upon which will receive the proposed rate increase received. If the District does not receive a majority (50% +1) in written protests, the Board will be authorized to adopt the proposed rates.

## Moving Forward:

Staff will continue to evaluate the projected revenues and anticipated expenditures of the Sanitation District each fiscal year in order to confirm the appropriate rate increase is still warranted to maintain District operations.

## **Conclusion:**

Staff recommends that the District Board:

1. Conduct a public hearing,
2. Make a finding regarding the number of written protests received, and
3. Introduce and conduct first reading, by title only, of Ordinance No. 28 (**Attachment C**).





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## TECHNICAL MEMORANDUM

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**TO:** MIKE JAMES, ASSISTANT CITY MANAGER / PUBLIC WORKS DIRECTOR  
CITY OF LEMON GROVE

**FROM:** KIM BOEHLER, ASSOCIATE DIRECTOR  
GREG HENRY, CONSULTANT

**SUBJECT:** SUMMARY OF SEWER RATE STUDY RESULTS FOR SANITATION DISTRICT

**DATE:** JANUARY 30, 2017

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### PURPOSE

Lemon Grove Sanitation District (District) retained NBS in December 2015 to conduct a sewer rate study for several reasons, including meeting revenue requirements, providing adequate funding for capital improvements and maintaining appropriate reserves.

In the memorandum dated November 10, 2016, NBS recommended four successive annual increases of 3 percent beginning July 1, 2017. Following the presentation of that recommendation to the Board of Directors (Board), NBS was asked to update the results of the study to include a new reserve fund related to the San Diego Metro Pure Water Project<sup>1</sup>. Further, NBS was asked to develop the following rate alternatives (summarized in **Figure 1**):

- **Alternative #1** - Operations & Maintenance reserve target set to 40 percent of annual operating costs, and equal annual percent increases.
- **Alternative #2** - Operations & Maintenance reserve target set to 55 percent of annual operating costs, and equal annual percent increases.
- **Alternative #3** - Operations & Maintenance reserve target set to 40 percent of annual operating costs, and increasing annual percent increases.
- **Alternative #4** - Operations & Maintenance reserve target set to 55 percent of annual operating costs, and increasing annual percent increases.

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<sup>1</sup> The details of this reserve are discussed in the section titled "District Revenue Requirements"



# Attachment B

**Figure 1. Summary of Rate Alternatives**

Description of Rate Alternatives	Reserve Target for Operations & Maintenance	
	40 Percent Annual O&M	55 Percent Annual O&M
Equal Annual Percent Increases	Alternative #1	Alternative #2
Increasing Annual Percent Increases	Alternative #3	Alternative #4

All rate alternatives presented in this study generate sufficient revenue to meet projected funding requirements; including funding approximately \$10 million<sup>2</sup> in capital rehabilitation and improvement projects during FY 2016/17 through FY 2021/22. The primary reason the proposed rate increases are needed, is the increasing cost of treatment by San Diego Metropolitan Sewerage System (Metro). These increases are primarily a result of constructing the Pure Water San Diego water reuse project.

## KEY STUDY ASSUMPTIONS

**Inflation and Growth Projections:** To develop a 10-year financial plan for the District, the following inflation and customer growth assumptions were used in the analysis (and have not changed since the November memo):

- According to City projections, customer growth per year from FY 2017/18 through FY 2020/21 is approximately: 0.27 percent, 0.27 percent, 3.17 percent, and 0 percent, respectively.
- General costs are inflated at 3 percent annually.
- Labor costs and retirement benefit costs are inflated at 3 percent annually.
- Health benefits costs are inflated at 4 percent annually.
- Natural gas costs are inflated by 4 percent annually.
- Electricity costs are inflated by 4.4 percent annually.
- Metro costs are expected to vary greatly through FY 2021/22 as the Pure Water Program is constructed. Lemon Grove Sanitation District is responsible for approximately 3.6 percent of the participating agencies Pure Water Program costs. Annual changes are as follows and are based upon the *high range* projected annual cost for the District, as provided by Metro at the October 6<sup>th</sup> meeting of the Metro Wastewater JPA<sup>3</sup>:
  - ✓ \$2,776,455 in FY 2016/17
  - ✓ \$2,968,482 in FY 2017/18
  - ✓ \$3,327,176 in FY 2018/19
  - ✓ \$4,993,534 in FY 2019/20
  - ✓ \$4,473,368 in FY 2020/21
  - ✓ \$3,217,449 in FY 2021/22
  - ✓ Annual costs are assumed to increase at 3 percent annual inflation thereafter.
- Sewage Transportation costs are inflated at 1.6 percent annually.

The following sections provide an overview of the financial forecast.

<sup>2</sup> The annual planned capital improvement costs are listed in **Figure 3** and includes projected annual construction cost inflation.

<sup>3</sup> See Appendix B for the detail of how the costs were allocated to each participating agency.

## DISTRICT REVENUE REQUIREMENTS

It is important for municipal utilities to maintain reasonable reserves in order to handle minor emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs, and maintain sufficient reserve funds. The current condition of the District, with regard to these objectives, is as follows:

- **Meeting Net Revenue Requirements:** The Sanitation District currently collects sufficient revenue to fund all operating expenses. However, due to the expected changes to Metro's treatment costs, current revenue will soon be insufficient to cover operating costs. Because these costs are expected to spike and then return to a lower (but still higher than current) level, reserves should be used to bridge the District through peak expenditure years. Rate increases are needed to reach the new "normal" Metro treatment costs.

Additionally, the District is expected to draw on reserves to fund capital projects over the next four years. Once reserves have settled at minimum target levels, incoming rate revenue will be required to fund capital projects.

- **Building and Maintaining Reserve Funds:** The District should maintain sufficient reserves for the utility. NBS recommends that the District consider increasing its *minimum* reserve fund targets to the metrics described below.

- ✓ **Operating Reserve** – should equal approximately 50 percent of annual operating costs. Based on input provided by the District, this reserve is set to either 40 percent or 55 percent of annual operating costs depending on the rate alternative. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by the natural inflow and outflow of cash during billing cycles, and particularly in periods of economic distress—changes or trends in age of receivables.

The Government Finance Officers Association (GFOA) recommends that an enterprise fund begin with an operating reserve target of 25 percent and adjust based upon "the particular characteristics"<sup>4</sup> of that fund. The following are the primary characteristics of the District that lead to NBS' recommendation of a higher operating reserve:

- **Cash cycles** – The District experiences high peaks and valleys in its cash position throughout the year due to semi-annual revenue collection.
- **Control over expenses** – The District has limited control<sup>5</sup>, of Metro's costs, which are 40 to 65 percent of the District's total expenditures.
- ✓ **Rate Stabilization Reserve** – is currently maintained and equal to 1 year of Metro costs, per existing District practice. NBS recommends that the District maintain this reserve as a hedge against unexpected future increases in Metro's costs.
- ✓ **Establishing a Pure Water Reserve** – The Pure Water San Diego Program is a massive public works project, which introduces an additional risk of cost overruns. District staff has set a target of \$3.7 million, which is approximately the average annual Metro capacity and treatment costs for 2016/17 through 2021/22, for a Pure Water Reserve that is intended to be used to offset unplanned cost increases for this project. The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of wastewater in the metro system. If another

<sup>4</sup> *Determining the Appropriate Levels of Working Capital in Enterprise Funds*, <http://www.gfoa.org/determining-appropriate-levels-working-capital-enterprise-funds>.

<sup>5</sup> *Through the Metro Wastewater Joint Powers Authority (JPA)*.

# Attachment B

program replaces the pure water San Diego program to provide secondary treatment or secondary equivalency then this reserve will be renamed to the replacement program

- ✓ **Establishing a Capital Reserve Fund** – which should typically be equal to a *minimum* of 3 percent of net depreciable capital assets, which equates to a 33-year replacement cycle for capital asset (approximately \$1.36 million in FY 2017/18). This target serves simply as a starting point for addressing long-term capital system replacement needs. The total value of net depreciable capital assets used to establish this reserve target includes the 1.31 percent of Metro's net depreciable capital assets, which is the District's expected share of Metro's FY 2016/17 Capital Improvement Costs.<sup>6</sup> It should be noted that the District's annual share of capital costs varies year over year based upon their relative percentage of effluent flow and strength.

- ✓ **Establishing a Connection Fee Reserve Fund:** NBS recommends that the District create a separate fund to maintain connection fee revenue pursuant to California Government Code §66013(6)(c), which states:

*A local agency receiving payment of a charge as specified in paragraph (3) of subdivision (b) [the connection fee] shall deposit it in a separate capital facilities fund with other charges received, and account for the charges in a manner to avoid any commingling with other moneys of the local agency, except for investments, and shall expend those charges solely for the purposes for which the charges were collected. Any interest income earned from the investment of moneys in the capital facilities fund shall be deposited in that fund.*

The use of reserves from this Fund are restricted by California code and are limited to capital projects related to expansion and rehabilitation. At the start of FY 2016/17, there was \$17,000 set aside as unspent connection fees. The District should deposit this and any other funds received from new connections into a connection fee reserve.<sup>7</sup>

**Figure 2** summarizes the sources and uses of funds through FY 2021/22 before any rate increases. It is important to note that it excludes expected interest earnings (though such earnings are expected to be minor with an average of \$30,500 annually). This revenue is not shown as it varies depending on the rate alternative.<sup>8</sup> Of primary concern to the District is the projected spike in Metro treatment costs in FY 2019/20 and 2020/21.

<sup>6</sup> Capital Project costs are allocated to participating agencies based upon each agency's percentage of total flow, suspended solids and chemical oxygen demand, which are metrics on the cost needed to treat effluent. These costs are allocated by 55.8% based on flow, 22% based on suspended solids and 22.2% based on chemical oxygen demand. Based upon Metro's FY 2017 – FY 2026 Capital Projects Memo (file:17-26ciplist\_Tables ABCD\_FY2017\_est.pdf), the District represented 1.42% of flow, 1.15% of suspended solids & 1.19% of chemical oxygen demand. Thus, the District projected to be allocated 1.31% of Capital Costs.  $(55.8\% * 1.42\%) + (22\% * 1.15\%) + (22.2\% * 1.19\%) = 1.31\%$ .

<sup>7</sup> NBS is in the process of developing new connection fees for the District; the analysis will be presented in a later memorandum.

<sup>8</sup> The technical appendices provide the detail for each rate alternative.



Figure 2. Summary of Sources and Uses of Funds

Summary Sources & Uses of Funds	Budget	Projected				
	2017	2018	2019	2020	2021	2022
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Prevailing Rates	\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159
Other Operating Revenue	3,000	3,008	3,016	3,112	3,112	3,112
<b>Total Sources of Funds</b>	<b>\$ 5,906,000</b>	<b>\$ 5,922,061</b>	<b>\$ 5,938,123</b>	<b>\$ 6,126,270</b>	<b>\$ 6,126,270</b>	<b>\$ 6,126,270</b>
<b>Uses of Sewer Funds</b>						
Metro Annual Capacity & Treatment	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449
Other Operating Expenses	2,455,635	2,529,886	2,606,411	2,685,279	2,766,563	2,850,338
Cash-Funded Capital Expenses	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911	1,791,078
<b>Total Use of Funds</b>	<b>\$ 6,777,090</b>	<b>\$ 7,089,718</b>	<b>\$ 7,572,678</b>	<b>\$ 9,367,076</b>	<b>\$ 8,978,842</b>	<b>\$ 7,858,865</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (871,090)</b>	<b>\$ (1,167,657)</b>	<b>\$ (1,634,555)</b>	<b>\$ (3,240,806)</b>	<b>\$ (2,852,572)</b>	<b>\$ (1,732,595)</b>

Figure 3 summarizes District's Capital Improvement Program through FY 2021/22. It is expected that regardless of the rate alternative adopted, the District will fund the planned capital expenditures with funds held in reserves and incoming rate revenue. These cost projections include an annual inflation factor of 3 percent.

Figure 3. Capital Expenditure Summary

Planned Capital Expenditures	Budget	Projected				
	2017	2018	2019	2020	2021	2022
Sewer Main Maintenance Project (Construction)	257,500	265,225	273,182	281,377	289,819	298,513
Sewer Main Rehabilitation (Design)	103,000	106,090	109,273	112,551	115,927	119,405
Sewer Main Rehabilitation Project (Construction)	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274	1,194,052
Contingent Costs	154,500	159,135	163,909	168,826	173,891	179,078
Sewer Rate Study	-	-	-	-	-	89,554
<b>Total Planned Capital Expenditures</b>	<b>\$ 1,545,000</b>	<b>\$ 1,591,350</b>	<b>\$ 1,639,091</b>	<b>\$ 1,688,263</b>	<b>\$ 1,738,911</b>	<b>\$ 1,791,078</b>

Given the costs shown in Figure 2 and Figure 3, and the constraints of the alternatives themselves (shown in Figure 1), **Figure 4** shows the rate increases needed so that, for each alternative, projected year-end reserves in FY 2021/22 match the reserve target.

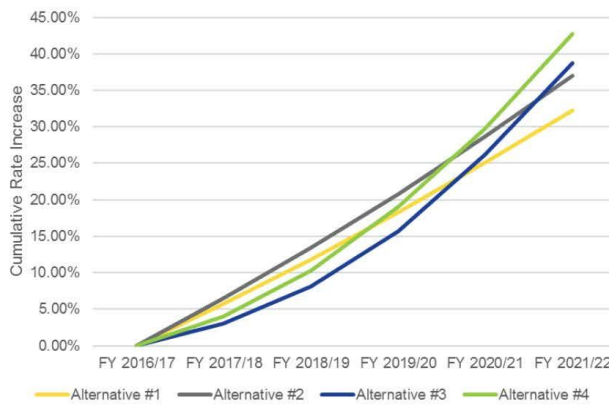
Figure 4. Rate Increase Alternatives

Alternatives	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
1 Flat Rate Increases 40% Operating Reserve	0.00%	5.75%	5.75%	5.75%	5.75%	5.75%
2 Flat Rate Increases 55% Operating Reserve	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%
3 Increased Rate Increases 40% Operating Reserve	0.00%	3.00%	5.00%	7.00%	9.00%	10.00%
4 Increased Rate Increases 55% Operating Reserve	0.00%	4.00%	6.00%	8.00%	9.00%	10.00%

Figure 5 shows the cumulative impact of the rate increase alternatives. This chart shows that although the rate increases in Alternatives 3 and 4 are less at the beginning, in the out years, the rates will be higher. The impact of the different operating reserve targets can be seen by comparing Alternative 1 to Alternative 2, and Alternative 3 to Alternative 4. In the final year, FY 2021/22, the difference between the rates is roughly 4.5%.

# Attachment B

**Figure 5. Cumulative Rate Increases for Each Alternative**

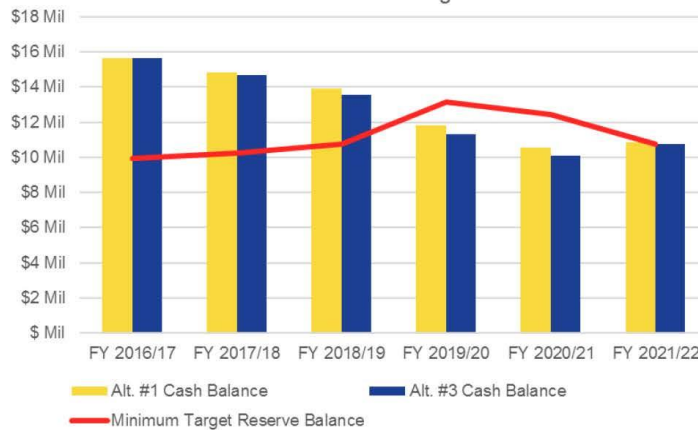


**Figure 6** and **Figure 7** show the five-year projection of reserve fund balances compared to the total reserve target for the District. These figures demonstrate that for all four alternatives, existing reserve funds will be spent down on capital improvement projects before climbing slightly in FY 2021/22 to meet the reserve target.

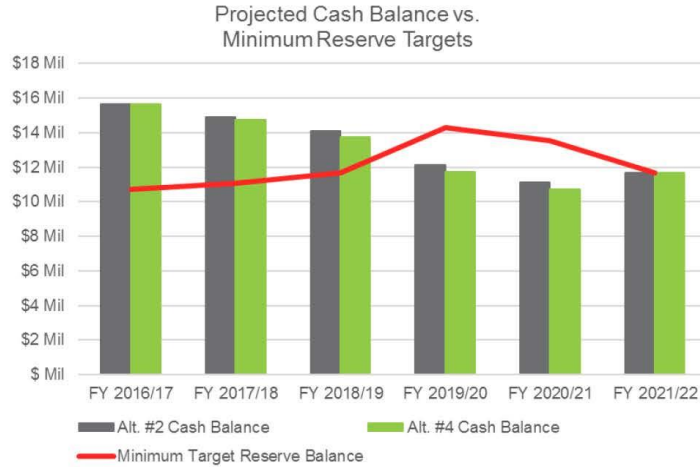
**Figure 6. Five-Year Reserve Fund Projection – Alternatives 1 and 3**

*40% Operating Reserve Target*

Projected Cash Balance vs.  
Minimum Reserve Targets



**Figure 7. Five-Year Reserve Fund Projection – Alternatives 2 and 4**  
*55% Operating Reserve Target*



**Figure 8** provides of a comparison of current and proposed rates per EDU, as the recommended rate increases are applied to the existing rate structure.

**Figure 8. Proposed Annual Sewer Use Charge per EDU**

Annual Sewer Use Charges	Current Rates	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Rate Per EDU Alt #1	\$553.17	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58
Rate Per EDU Alt #2	\$553.17	\$589.13	\$627.42	\$668.20	\$711.63	\$757.89
Rate Per EDU Alt #3	\$553.17	\$569.77	\$598.25	\$640.13	\$697.74	\$767.52
Rate Per EDU Alt #4	\$553.17	\$575.30	\$609.81	\$658.60	\$717.87	\$789.66

# Attachment B

## TECHNICAL APPENDICES





## CONSULTANT RECOMMENDATION

NBS recommends Lemon Grove Sanitation District take the following actions:

- **Accept this Study Report and Select a Rate Alternative:** NBS recommends the Board of Directors adopt the recommendations made in this study, and select one of the four rate alternatives presented. Following selection of a rate alternative, the District should proceed with the next steps to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Proposed Rates:** The financial plan presented in this technical memorandum demonstrates that the District will need to begin increasing rates in the next fiscal year to meet its annual revenue requirements and maintain healthy reserves. Assuming the District completes a successful Proposition 218 process, NBS recommends that the Board of Directors approve the annual rate adjustments presented in this technical memorandum, as shown in Figure 8 (for the alternative selected).
- **Adopt Reserve Fund Targets:** NBS recommends the Board of Directors adopt the recommended reserve fund targets described in this memorandum for the Sanitation District. The District should periodically evaluate reserve fund levels and attempt to maintain the reserve levels recommended for the Operating, Capital Rehabilitation and Replacement, San Diego Metro Pure Project, and Rate Stabilization Reserves.

*Note: The attached Technical Appendices provide more detailed information on the analysis of the revenue requirements that have been summarized in this report.*

## NBS' PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this memorandum and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters that may occur in the future. This information and assumptions, including Lemon Grove Sanitation District's budgets, capital improvement costs, and information from District staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results are expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Attachment B

## APPENDIX A

This appendix includes the detailed financial plan for each of the four rate alternatives presented in this study.

**Alternative #1** - Operations & Maintenance reserve target set to 40 percent of annual operating & equal annual percent increases.



CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 1

TABLE 1  
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS			5 Year Rate Period								
RATE REVENUE REQUIREMENTS SUMMARY		Budget	Projected								
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<b>Sources of Sewer Funds</b>											
Rate Revenue Under Current Rates (1, 2)		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		3,000	3,009	3,016	3,112	3,112	3,112	3,112	3,112	3,145	3,170
Interest Earnings (in Operating Reserve) (3)		21,800	28,965	16,493	23,730	38,400	43,440	42,473	50,000	51,520	53,060
<b>Total Sources of Funds</b>		<b>\$ 5,927,800</b>	<b>\$ 5,951,026</b>	<b>\$ 5,954,615</b>	<b>\$ 6,150,000</b>	<b>\$ 6,164,670</b>	<b>\$ 6,169,710</b>	<b>\$ 6,168,743</b>	<b>\$ 6,176,270</b>	<b>\$ 6,242,036</b>	<b>\$ 6,293,100</b>
<b>Uses of Sewer Funds</b>											
Operating Expenses (4):											
Salaries		\$ 795,000	\$ 818,950	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits		246,895	265,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492	338,133
Other Operating Expenses		3,325,195	3,532,918	3,907,770	5,590,782	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers		865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
<b>Subtotal: Operating Expenses</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>
Other Expenditures:											
Prepayment PERS		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service		-	-	-	-	-	-	-	-	-	-
Future Debt Service		-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses		-	-	-	-	288,647	1,791,078	1,628,774	1,596,565	1,723,437	1,849,162
<b>Subtotal: Other Expenditures</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 288,647</b>	<b>\$ 1,791,078</b>	<b>\$ 1,628,774</b>	<b>\$ 1,596,565</b>	<b>\$ 1,723,437</b>	<b>\$ 1,849,162</b>
<b>Total Uses of Sewer Funds</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,528,578</b>	<b>\$ 7,858,865</b>	<b>\$ 7,879,426</b>	<b>\$ 8,035,628</b>	<b>\$ 8,356,621</b>	<b>\$ 8,682,354</b>
plus: Revenue from Rate Increases		-	340,346	702,160	1,118,143	1,534,518	1,974,834	2,055,814	2,137,604	2,326,969	2,603,058
<b>Annual Surplus/(Deficit)</b>		<b>\$ 695,710</b>	<b>\$ 793,003</b>	<b>\$ 723,188</b>	<b>\$ (410,670)</b>	<b>\$ 170,610</b>	<b>\$ 285,680</b>	<b>\$ 345,131</b>	<b>\$ 278,247</b>	<b>\$ 212,383</b>	<b>\$ 213,804</b>
<b>Net Revenue Req'd. (Total Uses less Non-Rate Revenue)</b>		<b>\$ 5,207,290</b>	<b>\$ 5,466,395</b>	<b>\$ 5,914,078</b>	<b>\$ 7,651,971</b>	<b>\$ 7,413,966</b>	<b>\$ 7,812,313</b>	<b>\$ 7,833,842</b>	<b>\$ 7,982,516</b>	<b>\$ 8,301,957</b>	<b>\$ 8,626,124</b>
<b>Total Rate Revenue After Rate Increase</b>		<b>\$ 5,903,000</b>	<b>\$ 6,259,399</b>	<b>\$ 6,637,267</b>	<b>\$ 7,241,301</b>	<b>\$ 7,657,676</b>	<b>\$ 8,097,993</b>	<b>\$ 8,178,973</b>	<b>\$ 8,260,762</b>	<b>\$ 8,514,340</b>	<b>\$ 8,839,928</b>
<b>Projected Annual Rate Revenue Increase</b>		<b>0.00%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>		<b>0.00%</b>	<b>5.75%</b>	<b>11.53%</b>	<b>18.26%</b>	<b>25.06%</b>	<b>32.25%</b>	<b>33.57%</b>	<b>34.91%</b>	<b>37.61%</b>	<b>41.74%</b>
<b>Debt Coverage After Rate Increase</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf.
- Customer growth rates for each year per City of Lemon Grove estimates, and are shown in Table 7 of Exhibit 1.
- Interest earnings are per the City's Summary Budget in FY 2016/17, and calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf. Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond.

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 1

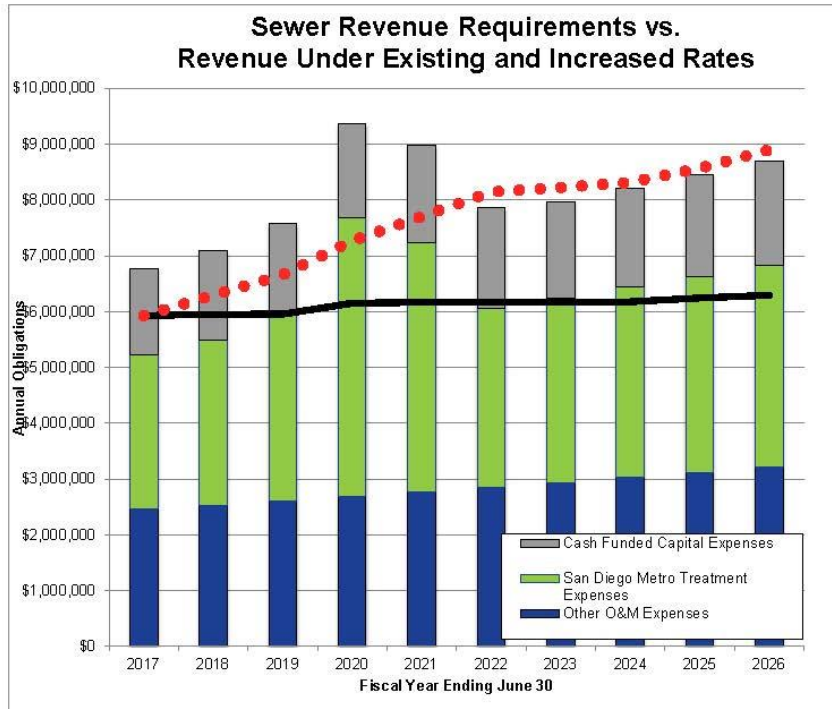
TABLE 2  
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5 Year Rate Period									
	Budget FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<b>Total Beginning Cash</b>	<b>\$ 16,507,541</b>									
<b>Operating Reserve Fund</b>										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 5,793,000	\$ 2,199,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000
Plus: Net Cash Flow (After Rate Increases)	695,710	793,003	723,188	(410,670)	170,610	285,680	345,131	278,247	212,363	213,804
Net: Transfer From / (To) Rate Stabilization Reserve	(465,855)	(192,027)	(358,894)	1,108,670	(346,610)	(653,333)	(96,523)	(99,419)	(102,402)	(105,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(1,862,477)	(4,194,976)	(190,494)	-	-	(101,347)	(175,607)	(102,828)	(32,982)	(28,330)
<b>Ending Operating Reserve Balance</b>	<b>\$ 5,793,000</b>	<b>\$ 2,199,000</b>	<b>\$ 2,373,000</b>	<b>\$ 3,072,000</b>	<b>\$ 2,896,000</b>	<b>\$ 2,427,000</b>	<b>\$ 2,500,000</b>	<b>\$ 2,576,000</b>	<b>\$ 2,653,000</b>	<b>\$ 2,733,000</b>
<b>Target Ending Balance (40% of O&amp;M) (2)</b>	<b>\$ 2,093,000</b>	<b>\$ 2,199,000</b>	<b>\$ 2,373,000</b>	<b>\$ 3,072,000</b>	<b>\$ 2,896,000</b>	<b>\$ 2,427,000</b>	<b>\$ 2,500,000</b>	<b>\$ 2,576,000</b>	<b>\$ 2,653,000</b>	<b>\$ 2,733,000</b>
<b>Capital Reserve Fund</b>										
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 3,371,796	\$ 5,975,423	\$ 4,526,827	\$ 2,838,564	\$ 1,388,300	\$ 1,489,647	\$ 1,582,307	\$ 1,518,628	\$ 1,458,082
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,862,477	4,194,976	190,494	-	-	101,347	175,607	102,828	32,982	28,330
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,591,350)	(1,639,091)	(1,689,263)	(1,450,264)	-	(92,947)	(166,507)	(92,529)	(21,282)
<b>Ending Capital Reserve Balance</b>	<b>\$ 3,371,796</b>	<b>\$ 5,975,423</b>	<b>\$ 4,526,827</b>	<b>\$ 2,838,564</b>	<b>\$ 1,388,300</b>	<b>\$ 1,489,647</b>	<b>\$ 1,582,307</b>	<b>\$ 1,518,628</b>	<b>\$ 1,458,082</b>	<b>\$ 1,466,130</b>
<b>Target Ending Balance (3% net assets) (4)</b>	<b>\$ 1,358,800</b>	<b>\$ 1,364,300</b>	<b>\$ 1,371,100</b>	<b>\$ 1,379,100</b>	<b>\$ 1,388,300</b>	<b>\$ 1,398,800</b>	<b>\$ 1,406,700</b>	<b>\$ 1,415,800</b>	<b>\$ 1,426,100</b>	<b>\$ 1,437,800</b>
<b>Rate Stabilization Reserve</b>										
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,217,506	\$ 2,564,116	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793
Net: Transfer From / (To) Operating Reserve	465,855	192,027	358,894	(1,108,670)	346,610	653,333	96,523	99,419	102,402	105,474
<b>Ending Rate Stabilization Reserve Balance</b>	<b>\$ 2,776,455</b>	<b>\$ 2,968,482</b>	<b>\$ 3,327,176</b>	<b>\$ 2,217,506</b>	<b>\$ 2,564,116</b>	<b>\$ 3,217,449</b>	<b>\$ 3,313,972</b>	<b>\$ 3,413,392</b>	<b>\$ 3,515,793</b>	<b>\$ 3,621,267</b>
<b>Target Ending Balance (1 year Metro Costs) (5)</b>	<b>\$ 2,776,455</b>	<b>\$ 2,968,482</b>	<b>\$ 3,327,176</b>	<b>\$ 4,993,534</b>	<b>\$ 4,473,368</b>	<b>\$ 3,217,449</b>	<b>\$ 3,313,972</b>	<b>\$ 3,413,392</b>	<b>\$ 3,515,793</b>	<b>\$ 3,621,267</b>
<b>Pure Water Reserve</b>										
Beginning Reserve Balance (3)	\$ -	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Plus: Transfer From Operating Reserve	3,700,000	-	-	-	-	-	-	-	-	-
<b>Ending Pure Water Reserve Balance</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>
<b>Target Ending Balance (\$3.7 mil) (6)</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 15,811,251</b>	<b>\$ 14,832,005</b>	<b>\$ 13,922,003</b>	<b>\$ 11,322,070</b>	<b>\$ 10,543,416</b>	<b>\$ 10,231,025</b>	<b>\$ 10,006,280</b>	<b>\$ 11,203,010</b>	<b>\$ 11,922,475</b>	<b>\$ 11,620,207</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 9,928,255</b>	<b>\$ 10,231,782</b>	<b>\$ 10,771,276</b>	<b>\$ 13,144,634</b>	<b>\$ 12,457,668</b>	<b>\$ 10,743,249</b>	<b>\$ 10,920,672</b>	<b>\$ 11,105,192</b>	<b>\$ 11,294,393</b>	<b>\$ 11,492,067</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 5,712,996</b>	<b>\$ 4,611,123</b>	<b>\$ 3,155,727</b>	<b>\$ (1,316,564)</b>	<b>\$ (1,909,252)</b>	<b>\$ 90,847</b>	<b>\$ 175,607</b>	<b>\$ 102,828</b>	<b>\$ 32,982</b>	<b>\$ 28,330</b>
<b>Restricted Reserves:</b>										
<b>Connection Fee Reserve</b>										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158
Plus: Interest Earnings	43	170	384	686	1,079	1,665	2,151	2,842	3,238	3,643
Plus: Connection Fee Revenue	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
<b>Ending Connection Fee Fund Balance</b>	<b>\$ 34,043</b>	<b>\$ 51,213</b>	<b>\$ 68,597</b>	<b>\$ 86,283</b>	<b>\$ 104,361</b>	<b>\$ 122,927</b>	<b>\$ 142,078</b>	<b>\$ 161,920</b>	<b>\$ 182,158</b>	<b>\$ 202,801</b>
<b>Annual Interest Earnings Rate (7)</b>	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%	2.00%

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17.
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses.
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: Detailed Trial Balance Fund 16 2016.pdf & Summary Trial Balance Fund 16
- Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve.
- The 3% of Net Asset calculation includes Lemon Grove's FY 2016/17 CIP cost allocation of 1.31% of San Diego Metro Net Capital Assets, and Lemon Grove owned assets.
- The Rate Stabilization Reserve target ending balance remains equal one year of Metro costs matching the previous study from March 2011 (page 2). Expected annual costs from October JPA agenda item Pure Water Program Update.
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another program replaces the pure water San Diego program to provide secondary treatment or secondary equivalency then this reserve will be renamed to the replacement program. The reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- Historical interest earnings rates were referenced on the California Treasurer's Office website for funds invested in LAF.

Future years earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.

CHART 1

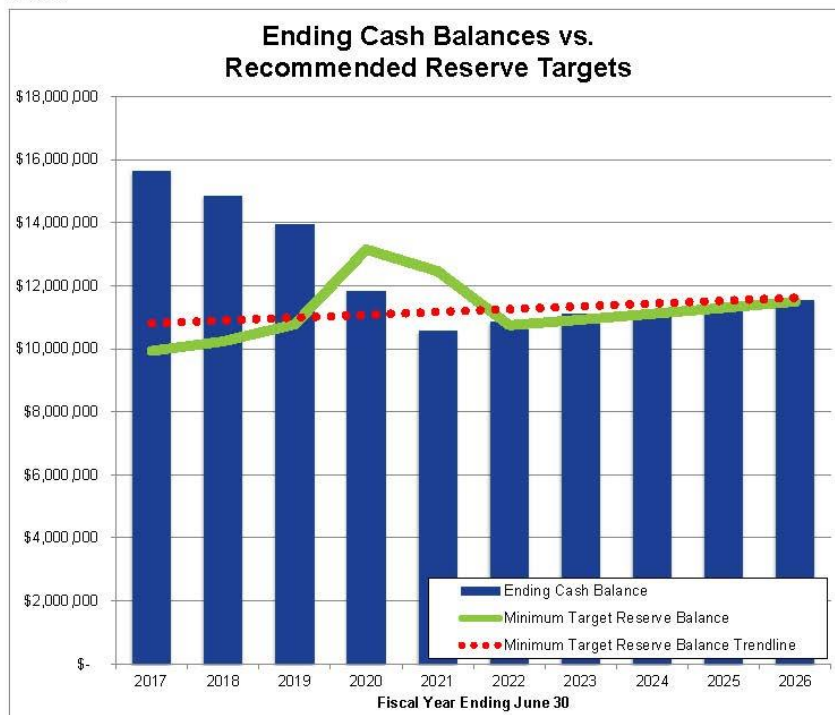


# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Rate Adjustment Charts and Report Tables

Alternative Number - 1

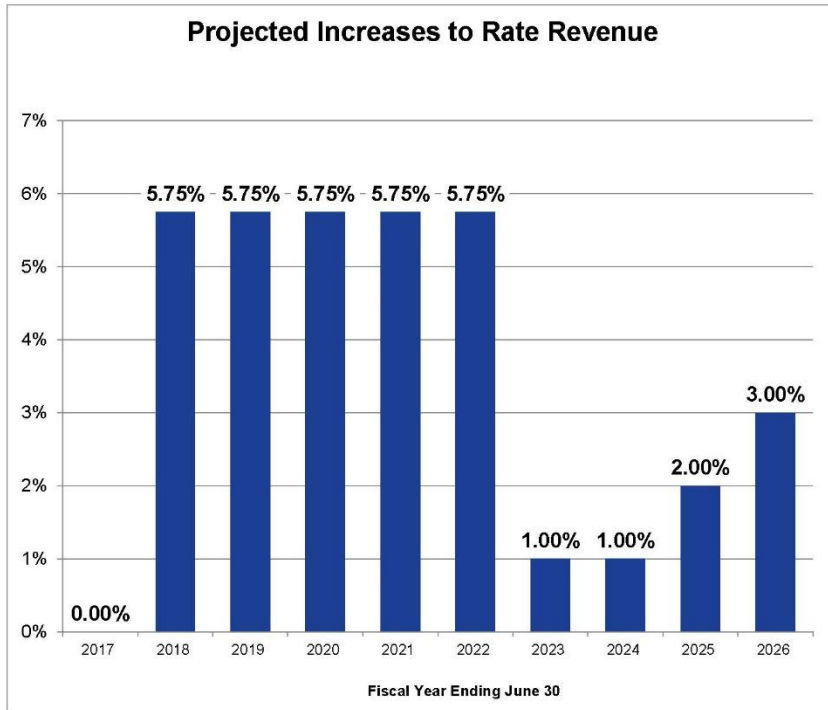
CHART 2



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Charts and Tables  
Page 4 of 11

CHART 3



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 1

TABLE 3 - REVENUE FORECAST (1)

TABLE 3 - REVENUE FORECAST (1)		5 Year Rate Period										
SOURCES OF REVENUE		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue												
4370 Other Revenue (2)	1	\$	3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
R14 Interest & Investment Income												
4420 Interest (3)	See FP	\$	21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue												
4430 Cost Recovery	1	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue												
4595 Sewer Capacity Fee	9	\$	17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 Sewer Service Fee	1	\$	5,853,000	\$ 5,868,917	\$ 5,884,834	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,963	\$ 6,184,042
4605 Sewer Service - LGSD La Mesa SD	1	\$	50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
TOTAL REVENUE			\$ 5,944,800	\$ 5,939,061	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,207,516	\$ 6,257,040

TABLE 4

REVENUE SUMMARY		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Sewer Operations - 15:</b>											
Sewer Rate Revenue		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings		\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee		\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
<b>Subtotal: Sewer Operations Revenue</b>		<b>\$ 5,944,800</b>	<b>\$ 5,939,061</b>	<b>\$ 5,955,123</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,207,516</b>	<b>\$ 6,257,040</b>

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Exhibit 1 (O&M)  
Page 6 of 11



CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 1

TABLE 5 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E05 Salaries</b>											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
<b>Subtotal: E05 Salaries</b>		<b>\$ 795,000</b>	<b>\$ 818,850</b>	<b>\$ 843,416</b>	<b>\$ 868,718</b>	<b>\$ 894,780</b>	<b>\$ 921,623</b>	<b>\$ 949,272</b>	<b>\$ 977,750</b>	<b>\$ 1,007,082</b>	<b>\$ 1,037,295</b>
<b>E10 Benefits</b>											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
5090 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E10 Benefits</b>		<b>\$ 246,895</b>	<b>\$ 255,651</b>	<b>\$ 264,723</b>	<b>\$ 274,124</b>	<b>\$ 283,865</b>	<b>\$ 293,959</b>	<b>\$ 304,419</b>	<b>\$ 315,259</b>	<b>\$ 326,492</b>	<b>\$ 338,133</b>
<b>E15 Benefits - Retirement</b>											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E05 Benefits - Retirement</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 1,041,895</b>	<b>\$ 1,074,501</b>	<b>\$ 1,108,139</b>	<b>\$ 1,142,842</b>	<b>\$ 1,178,645</b>	<b>\$ 1,215,582</b>	<b>\$ 1,253,691</b>	<b>\$ 1,293,009</b>	<b>\$ 1,333,574</b>	<b>\$ 1,375,428</b>

Prepared By NBS

Exhibit 1 (O&M)  
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# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 1

TABLE 6 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E40 Other Operating Expenses</b>											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5620 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5640 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5650 Equipment Rental	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5655 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 19,871	\$ 20,665	\$ 21,492
5710 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5750 Industrial Enforcement	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 80,000	\$ 81,800	\$ 83,654	\$ 85,564	\$ 87,531	\$ 89,556	\$ 91,643	\$ 93,792	\$ 96,006	\$ 98,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	11	\$ 66,040	\$ 67,097	\$ 68,170	\$ 69,261	\$ 70,369	\$ 71,495	\$ 72,639	\$ 73,801	\$ 74,982	\$ 76,182
6090 Office Supplies	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219
6170 Repairs & Maintenance	2	\$ 5,400	\$ 5,562	\$ 5,729	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841	\$ 7,046
6180 Repairs & Maintenance - Equipment	2	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
6190 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6200 Restoration Services	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6210 Street Sweeping	2	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802	\$ 23,486
6220 Tools & Supplies	2	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353
6230 Traffic Safety Equipment	2	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6280 Utilities - Water	2	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167	\$ 3,262
<b>Subtotal: E15 Other Operating Expenses</b>		<b>\$ 3,325,195</b>	<b>\$ 3,532,918</b>	<b>\$ 3,907,770</b>	<b>\$ 5,590,762</b>	<b>\$ 5,087,721</b>	<b>\$ 3,849,432</b>	<b>\$ 3,964,106</b>	<b>\$ 4,082,213</b>	<b>\$ 4,203,854</b>	<b>\$ 4,329,136</b>
<b>E65 Transfers</b>											
6900 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
<b>Subtotal: E65 Transfers</b>		<b>\$ 865,000</b>	<b>\$ 890,950</b>	<b>\$ 917,679</b>	<b>\$ 945,209</b>	<b>\$ 973,565</b>	<b>\$ 1,002,772</b>	<b>\$ 1,032,855</b>	<b>\$ 1,063,841</b>	<b>\$ 1,095,756</b>	<b>\$ 1,128,629</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 4,190,195</b>	<b>\$ 4,423,868</b>	<b>\$ 4,825,448</b>	<b>\$ 6,535,971</b>	<b>\$ 6,061,286</b>	<b>\$ 4,852,204</b>	<b>\$ 4,996,962</b>	<b>\$ 5,146,053</b>	<b>\$ 5,299,610</b>	<b>\$ 5,457,765</b>
<b>Total: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>

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Exhibit 1 (O&M)  
Page 8 of 11

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 1

TABLE 7 - FORECASTING ASSUMPTIONS:

ECONOMIC VARIABLES	Basis	2017	5 Year Rate Period					2023	2024	2025	2026
			2018	2019	2020	2021	2022				
Customer Growth (7)	1	—	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
General Cost Inflation	2	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (8)	3	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (8)	4	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (8)	5	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (8)	6	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (8)	7	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (9)	8	—	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
No Escalation	9	—	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (5)	10	20.16%	6.92%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *BudgetEmail 4.13.16.pdf*.
- In FY 2015/16, there was a one time settlement from Padre Dam. Source file: *BudgetEmail 4.13.16.pdf*.
- Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *BudgetEmail 4.13.16.pdf*.  
Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
- San Diego Metro cost for FY 2016/17 through 2021/22 from October JPA agenda item Pure Water Program Update, high range cost for each year (page 44). Then 3% annually.
- Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *BudgetEmail 4.13.16.pdf*.
- Client provided source file: *Lemon Grove Sewage Flow Projections.pdf*, and then actual calculations of raw data was completed in source file: *Lemon Grove Growth Projections.xlsx*.
- NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
- The source of the electricity inflation factor is the projected nominal escalation rate for 2008-2020, for Southern California Edison customers as referenced in the following study: *The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040* by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis.
- The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data.  
Client provided source file: *City of San Diego Transportation Rate Feb 2016.pdf*, pg. 2.

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

EXHIBIT 2  
Alternative Number - 1

TABLE 8 - CAPITAL FUNDING SUMMARY

TABLE 8 - CAPITAL FUNDING SUMMARY		5 Year Rate Period										
CAPITAL FUNDING FORECAST		Budget	FY 2017/18					Projected				
Funding Sources:		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	
Grants		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Use of Capacity Fee Reserves		-	-	-	-	-	-	-	-	-	-	
Use of SRF Loan Funding		-	-	-	-	-	-	-	-	-	-	
Use of New Revenue Bond Proceeds		-	-	-	-	-	-	-	-	-	-	
Use of Capital Improvement Reserve		1,545,000	1,591,350	1,639,091	1,688,263	1,450,264	-	82,947	166,507	92,528	21,282	
Rate Revenue		-	-	-	-	288,847	1,791,078	1,628,774	1,596,565	1,723,437	1,849,182	
Total Sources of Capital Funds		\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444	
Uses of Capital Funds:												
Total Project Costs		\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444	
Capital Funding Surplus (Deficiency)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

TABLE 9 - Capital Improvement Program Costs (in Current-Year Dollars) (1):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures (2)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>

Average used for Future year projects: \$ 1,391,786

TABLE 10 - Capital Improvement Program Costs (in Future-Year Dollars):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Blvd Sewer Rehab (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 106,090	\$ 109,273	\$ 112,551	\$ 115,927	\$ 119,405	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,030,000	\$ 1,060,900	\$ 1,092,727	\$ 1,125,509	\$ 1,159,274	\$ 1,194,052	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 154,500	\$ 159,135	\$ 163,909	\$ 168,826	\$ 173,891	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 1,545,000</b>	<b>\$ 1,591,350</b>	<b>\$ 1,639,091</b>	<b>\$ 1,688,263</b>	<b>\$ 1,738,911</b>	<b>\$ 1,791,078</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>

TABLE 11 - FORECASTING ASSUMPTIONS:

Economic Variables	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News Record (3)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34

- Budgeted CIP project costs from source file: CIP through 2020-21.pdf.
- Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21.
- For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015. Source: Engineering News Record website (<http://enr.construction.com>).

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Exhibit 2 (CIP)  
Page 10 of 11

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Existing Sewer Rate Schedule

EXHIBIT 4  
Alternative Number - 1

TABLE 12

Annual Sewer Use Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
		5.75%	5.75%	5.75%	5.75%	5.75%
Rate Per EDU (240 gpd)	\$553.17	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58

1. Ordinance No.26.pdf

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Exhibit 3 (Rates)  
Page 11 of 11

## Attachment B

**Alternative #2** - Operations & Maintenance reserve target set to 55 percent of annual operating & equal annual percent increases.



CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 2

TABLE 1  
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	5 Year Rate Period									
	Budget	Projected								
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<b>Sources of Sewer Funds</b>										
Rate Revenue Under Current Rates (1, 2)	\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue	3,000	3,009	3,016	3,112	3,112	3,112	3,112	3,112	3,145	3,170
Interest Earnings (in Operating Reserve) (3)	21,800	32,890	22,680	32,630	52,788	59,730	58,398	68,760	70,820	72,960
<b>Total Sources of Funds</b>	<b>\$ 5,927,800</b>	<b>\$ 5,954,951</b>	<b>\$ 5,960,803</b>	<b>\$ 6,158,900</b>	<b>\$ 6,179,058</b>	<b>\$ 6,186,000</b>	<b>\$ 6,184,668</b>	<b>\$ 6,195,030</b>	<b>\$ 6,261,336</b>	<b>\$ 6,313,000</b>
<b>Uses of Sewer Funds</b>										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 818,950	\$ 843,416	\$ 868,718	\$ 894,790	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits	246,895	265,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492	338,133
Other Operating Expenses	3,325,195	3,532,918	3,907,770	5,590,782	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers	865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
<b>Subtotal: Operating Expenses</b>	<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	369,854	-	-	1,029,663	1,791,078	1,684,220	1,453,801	1,460,418	1,464,403
Subtotal: Other Expenditures	\$ -	\$ 369,854	\$ -	\$ -	\$ 1,029,663	\$ 1,791,078	\$ 1,684,220	\$ 1,453,801	\$ 1,460,418	\$ 1,464,403
<b>Total Uses of Sewer Funds</b>	<b>\$ 5,232,090</b>	<b>\$ 5,867,222</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 8,269,593</b>	<b>\$ 7,858,865</b>	<b>\$ 7,934,872</b>	<b>\$ 7,892,863</b>	<b>\$ 8,093,601</b>	<b>\$ 8,297,595</b>
<b>plus: Revenue from Rate Increases</b>	<b>-</b>	<b>384,738</b>	<b>796,640</b>	<b>1,273,309</b>	<b>1,754,079</b>	<b>2,266,069</b>	<b>2,266,069</b>	<b>2,266,069</b>	<b>2,459,408</b>	<b>2,653,403</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$ 695,710</b>	<b>\$ 472,468</b>	<b>\$ 823,855</b>	<b>\$ (246,604)</b>	<b>\$ (338,457)</b>	<b>\$ 593,235</b>	<b>\$ 515,895</b>	<b>\$ 568,266</b>	<b>\$ 627,143</b>	<b>\$ 668,808</b>
<b>Net Revenue Req'd. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 5,207,290</b>	<b>\$ 5,831,324</b>	<b>\$ 5,907,891</b>	<b>\$ 7,643,071</b>	<b>\$ 8,213,694</b>	<b>\$ 7,796,023</b>	<b>\$ 7,873,363</b>	<b>\$ 7,820,991</b>	<b>\$ 8,019,637</b>	<b>\$ 8,221,465</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 5,903,000</b>	<b>\$ 6,303,792</b>	<b>\$ 6,731,746</b>	<b>\$ 7,396,467</b>	<b>\$ 7,877,237</b>	<b>\$ 8,389,258</b>	<b>\$ 8,389,258</b>	<b>\$ 8,389,258</b>	<b>\$ 8,646,780</b>	<b>\$ 8,890,273</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>6.50%</b>	<b>6.50%</b>	<b>6.50%</b>	<b>6.50%</b>	<b>6.50%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>2.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>6.50%</b>	<b>13.42%</b>	<b>20.75%</b>	<b>28.65%</b>	<b>37.01%</b>	<b>37.01%</b>	<b>37.01%</b>	<b>39.79%</b>	<b>42.54%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf.
- Customer growth rates for each year per City of Lemon Grove estimates, and are shown in Table 7 of Exhibit 1.
- Interest earnings are per the City's Summary Budget in FY 2016/17, and calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf.  
Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond.



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 2

TABLE 2  
RESERVE FUND SUMMARY

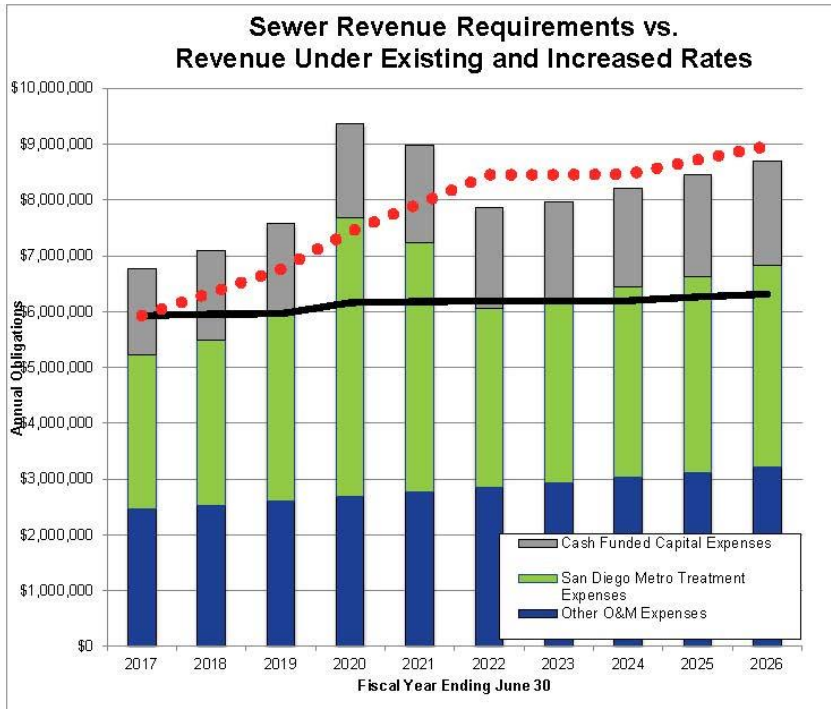
RESERVE FUND SUMMARY		5 Year Rate Period									
SUMMARY OF CASH ACTIVITY	Budget						Projected				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	
Total Beginning Cash	\$ 16,507,541										
Operating Reserve Fund											
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 6,578,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000	
Plus: Net Cash Flow (After Rate Increases)	695,710	472,468	823,855	(246,604)	(336,457)	593,235	515,895	568,266	627,143	668,808	
Net: Transfer From / (To) Rate Stabilization Reserve	(465,855)	(192,027)	(358,894)	1,206,604	95,457	(1,192,334)	(96,523)	(99,419)	(102,402)	(105,474)	
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-	
Less: Transfer Out to Capital Replacement Reserve	(1,077,477)	(3,834,441)	(226,161)	-	-	(45,901)	(318,371)	(365,847)	(417,741)	(453,334)	
Ending Operating Reserve Balance	\$ 6,578,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000	\$ 3,758,000	
Target Ending Balance (50% of O&M) (2)	\$ 2,878,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000	\$ 3,758,000	
Capital Reserve Fund											
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 2,586,796	\$ 5,198,741	\$ 3,785,812	\$ 2,097,549	\$ 1,388,300	\$ 1,434,201	\$ 1,725,071	\$ 1,781,647	\$ 1,843,841	
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-	
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,834,441	226,161	-	-	45,901	318,371	365,847	417,741	453,334	
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,222,496)	(1,639,091)	(1,688,263)	(709,249)	-	(27,501)	(309,271)	(355,547)	(406,041)	
Ending Capital Reserve Balance	\$ 2,586,796	\$ 5,198,741	\$ 3,785,812	\$ 2,097,549	\$ 1,388,300	\$ 1,434,201	\$ 1,725,071	\$ 1,781,647	\$ 1,843,841	\$ 1,891,134	
Target Ending Balance (3% net assets) (4)	\$ 1,358,800	\$ 1,364,300	\$ 1,371,100	\$ 1,379,100	\$ 1,388,300	\$ 1,398,800	\$ 1,406,700	\$ 1,415,800	\$ 1,426,100	\$ 1,437,800	
Rate Stabilization Reserve											
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,120,572	\$ 2,025,115	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	
Net: Transfer From / (To) Operating Reserve	465,855	192,027	358,894	(1,206,604)	(95,457)	1,192,334	96,523	99,419	102,402	105,474	
Ending Rate Stabilization Reserve Balance	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,120,572	\$ 2,025,115	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267	
Target Ending Balance (1 year Metro Costs) (5)	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267	
Pure Water Reserve											
Beginning Reserve Balance (3)	\$ -	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	
Plus: Transfer From Operating Reserve	3,700,000	-	-	-	-	-	-	-	-	-	
Ending Pure Water Reserve Balance	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	
Target Ending Balance (\$3.7 mil) (6)	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	
Ending Balance - Excl. Restricted Reserves	\$ 15,841,251	\$ 14,831,233	\$ 14,075,983	\$ 12,141,121	\$ 11,093,415	\$ 11,633,659	\$ 12,177,044	\$ 12,436,933	\$ 12,707,634	\$ 12,970,402	
Min. Target Ending Balance - Excl. Restricted Reserves	\$ 10,713,255	\$ 11,056,782	\$ 11,661,276	\$ 14,295,634	\$ 13,543,668	\$ 11,633,249	\$ 11,858,672	\$ 12,070,192	\$ 12,288,393	\$ 12,517,067	
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 4,927,996	\$ 3,834,441	\$ 2,414,712	\$ (2,154,513)	\$ (2,448,253)	\$ 35,401	\$ 318,371	\$ 365,847	\$ 417,741	\$ 453,334	
Restricted Reserves:											
Connection Fee Reserve											
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158	
Plus: Interest Earnings	43	170	384	686	1,079	1,665	2,151	2,842	3,238	3,643	
Plus: Connection Fee Revenue	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-	
Ending Connection Fee Fund Balance	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158	\$ 202,801	
Annual Interest Earnings Rate (7)	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%	2.00%	

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17.
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses.
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: Detailed Trial Balance Fund 16 2016.pdf & Summary Trial Balance Fund 16
- Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve.
- The 3% of Net Asset calculation includes Lemon Grove's FY 2016/17 CIP cost allocation of 1.31% of San Diego Metro Net Capital Assets, and Lemon Grove owned assets.
- The Rate Stabilization Reserve target ending balance remains equal one year of Metro costs matching the previous study from March 2011 (page 2). Expected annual costs from October JPA agenda item Pure Water Program Update.
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another program replaces the pure water San Diego program to provide secondary treatment or secondary equivalency then this reserve will be renamed to the replacement program. The reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- Historical interest earnings rates were referenced on the California Treasurer's Office website for funds invested in LAF.

Future years earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.



CHART 1

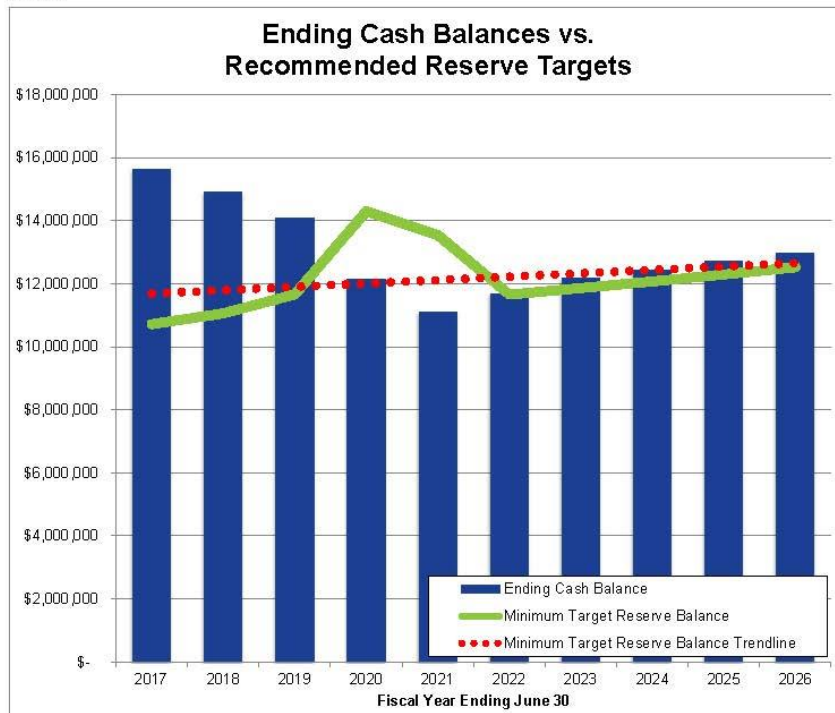


# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Rate Adjustment Charts and Report Tables

Alternative Number - 2

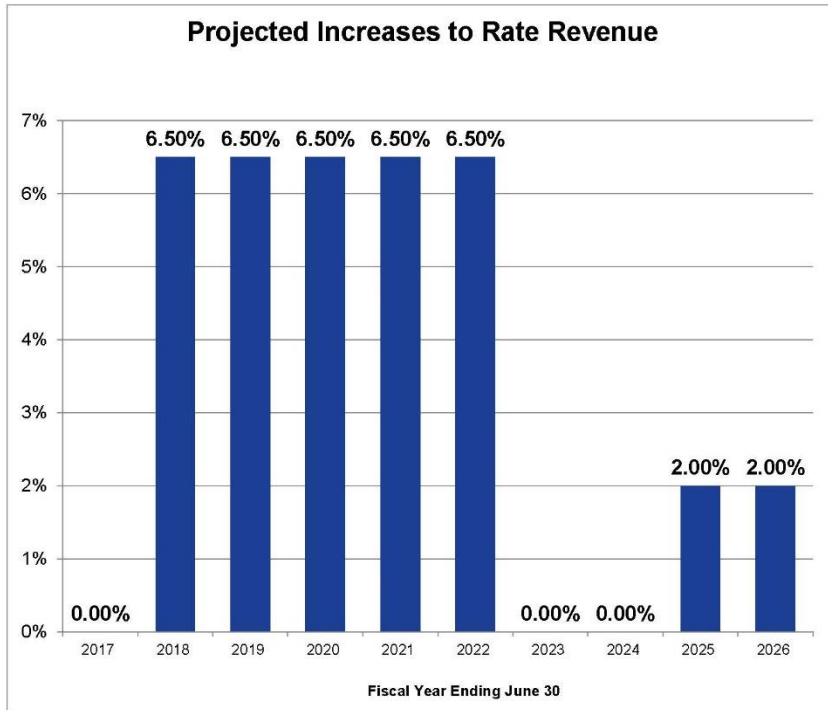
CHART 2



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Charts and Tables  
Page 4 of 11

CHART 3



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 2

TABLE 3 - REVENUE FORECAST (1)

TABLE 3 - REVENUE FORECAST (1)		5 Year Rate Period										
SOURCES OF REVENUE		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue												
4370 Other Revenue (2)		1	\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
R14 Interest & Investment Income												
4420 Interest (3)	See FP	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue												
4430 Cost Recovery		1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue												
4595 Sewer Capacity Fee		9	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 Sewer Service Fee		1	\$ 5,853,000	\$ 5,868,917	\$ 5,884,834	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,963	\$ 6,184,042
4605 Sewer Service - LGSD La Mesa SD		1	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
TOTAL REVENUE			\$ 5,944,800	\$ 5,939,061	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,207,516	\$ 6,257,040

TABLE 4

REVENUE SUMMARY		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Sewer Operations - 15:</b>											
Sewer Rate Revenue		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings		\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee		\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
<b>Subtotal: Sewer Operations Revenue</b>		<b>\$ 5,944,800</b>	<b>\$ 5,939,061</b>	<b>\$ 5,955,123</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,207,516</b>	<b>\$ 6,257,040</b>

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Exhibit 1 (O&M)  
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CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 2

TABLE 5 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E05 Salaries</b>											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
<b>Subtotal: E05 Salaries</b>		<b>\$ 795,000</b>	<b>\$ 818,850</b>	<b>\$ 843,416</b>	<b>\$ 868,718</b>	<b>\$ 894,780</b>	<b>\$ 921,623</b>	<b>\$ 949,272</b>	<b>\$ 977,750</b>	<b>\$ 1,007,082</b>	<b>\$ 1,037,295</b>
<b>E10 Benefits</b>											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
5090 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E10 Benefits</b>		<b>\$ 246,895</b>	<b>\$ 255,651</b>	<b>\$ 264,723</b>	<b>\$ 274,124</b>	<b>\$ 283,865</b>	<b>\$ 293,959</b>	<b>\$ 304,419</b>	<b>\$ 315,259</b>	<b>\$ 326,492</b>	<b>\$ 338,133</b>
<b>E15 Benefits - Retirement</b>											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E05 Benefits - Retirement</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 1,041,895</b>	<b>\$ 1,074,501</b>	<b>\$ 1,108,139</b>	<b>\$ 1,142,842</b>	<b>\$ 1,178,645</b>	<b>\$ 1,215,582</b>	<b>\$ 1,253,691</b>	<b>\$ 1,293,009</b>	<b>\$ 1,333,574</b>	<b>\$ 1,375,428</b>

Prepared By NBS

Exhibit 1 (O&M)  
Page 7 of 11

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 2

TABLE 6 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E40 Other Operating Expenses</b>											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5620 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5640 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5650 Equipment Rental	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5655 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 19,871	\$ 20,665	\$ 21,492
5710 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5750 Industrial Enforcement	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 80,000	\$ 81,800	\$ 83,654	\$ 85,564	\$ 87,531	\$ 89,556	\$ 91,643	\$ 93,792	\$ 96,006	\$ 98,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	11	\$ 66,040	\$ 67,097	\$ 68,170	\$ 69,261	\$ 70,369	\$ 71,495	\$ 72,639	\$ 73,801	\$ 74,982	\$ 76,182
6090 Office Supplies	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219
6170 Repairs & Maintenance	2	\$ 5,400	\$ 5,562	\$ 5,729	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841	\$ 7,046
6180 Repairs & Maintenance - Equipment	2	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
6190 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6200 Restoration Services	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6210 Street Sweeping	2	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802	\$ 23,486
6220 Tools & Supplies	2	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353
6230 Traffic Safety Equipment	2	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6280 Utilities - Water	2	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167	\$ 3,262
<b>Subtotal: E15 Other Operating Expenses</b>		<b>\$ 3,325,195</b>	<b>\$ 3,532,918</b>	<b>\$ 3,907,770</b>	<b>\$ 5,590,762</b>	<b>\$ 5,087,721</b>	<b>\$ 3,849,432</b>	<b>\$ 3,964,106</b>	<b>\$ 4,082,213</b>	<b>\$ 4,203,854</b>	<b>\$ 4,329,136</b>
<b>E65 Transfers</b>											
6900 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
<b>Subtotal: E65 Transfers</b>		<b>\$ 865,000</b>	<b>\$ 890,950</b>	<b>\$ 917,679</b>	<b>\$ 945,209</b>	<b>\$ 973,565</b>	<b>\$ 1,002,772</b>	<b>\$ 1,032,855</b>	<b>\$ 1,063,841</b>	<b>\$ 1,095,756</b>	<b>\$ 1,128,629</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 4,190,195</b>	<b>\$ 4,423,868</b>	<b>\$ 4,825,448</b>	<b>\$ 6,535,971</b>	<b>\$ 6,061,286</b>	<b>\$ 4,852,204</b>	<b>\$ 4,996,962</b>	<b>\$ 5,146,053</b>	<b>\$ 5,299,610</b>	<b>\$ 5,457,765</b>
<b>Total: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>

Prepared By NBS

Exhibit 1 (O&M)  
Page 8 of 11

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 2

TABLE 7 - FORECASTING ASSUMPTIONS:

ECONOMIC VARIABLES	Basis	2017	5 Year Rate Period					2023	2024	2025	2026
			2018	2019	2020	2021	2022				
Customer Growth (7)	1	—	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
General Cost Inflation	2	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (8)	3	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (8)	4	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (8)	5	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (8)	6	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (8)	7	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (9)	8	—	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
No Escalation	9	—	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (5)	10	20.16%	6.92%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.
- In FY 2015/16, there was a one time settlement from Padre Dam. Source file: *budgetEmail 4.13.16.pdf*.
- Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.  
Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
- San Diego Metro cost for FY 2016/17 through 2021/22 from October JPA agenda item Pure Water Program Update, high range cost for each year (page 44). Then 3% annually.
- Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.
- Client provided source file: *Lemon Grove Sewage Flow Projections.pdf*, and then actual calculations of raw data was completed in source file: *Lemon Grove Growth Projections.xlsx*.
- NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
- The source of the electricity inflation factor is the projected nominal escalation rate for 2008-2020, for Southern California Edison customers as referenced in the following study: *The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040* by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis.
- The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data.  
Client provided source file: *City of San Diego Transportation Rate Feb 2016.pdf*, pg. 2.



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

EXHIBIT 2  
Alternative Number - 2

TABLE 8 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	5 Year Rate Period									
	Budget FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Funding Sources:										
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve	1,545,000	1,222,495	1,639,091	1,688,263	706,249	-	27,501	309,271	355,547	408,041
Rate Revenue	-	368,854	-	-	1,029,863	1,791,078	1,684,220	1,453,801	1,490,418	1,464,403
<b>Total Sources of Capital Funds</b>	<b>\$ 1,545,000</b>	<b>\$ 1,591,350</b>	<b>\$ 1,639,091</b>	<b>\$ 1,688,263</b>	<b>\$ 1,738,911</b>	<b>\$ 1,791,078</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>
Uses of Capital Funds:										
Total Project Costs	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 9 - Capital Improvement Program Costs (in Current-Year Dollars) (1):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures (2)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>

Average used for Future year projects: \$ 1,391,786

TABLE 10 - Capital Improvement Program Costs (in Future-Year Dollars):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Blvd Sewer Rehab (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 106,090	\$ 109,273	\$ 112,551	\$ 115,927	\$ 119,405	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,030,000	\$ 1,060,900	\$ 1,092,727	\$ 1,125,509	\$ 1,159,274	\$ 1,194,052	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 154,500	\$ 159,135	\$ 163,909	\$ 168,826	\$ 173,891	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 1,545,000</b>	<b>\$ 1,591,350</b>	<b>\$ 1,639,091</b>	<b>\$ 1,688,263</b>	<b>\$ 1,738,911</b>	<b>\$ 1,791,078</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>

TABLE 11 - FORECASTING ASSUMPTIONS:

Economic Variables	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News Record (3)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34

- Budgeted CIP project costs from source file: CIP through 2020-21.pdf.
- Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21.
- For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015. Source: Engineering News Record website (<http://enr.construction.com>).



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Existing Sewer Rate Schedule

EXHIBIT 4  
Alternative Number - 2

TABLE 12

Annual Sewer Use Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
		6.50%	6.50%	6.50%	6.50%	6.50%
Rate Per EDU (240 gpd)	\$553.17	\$589.13	\$627.42	\$668.20	\$711.63	\$757.89

1. Ordinance No.26.pdf

Prepared By NBS

Exhibit 3 (Rates)  
Page 11 of 11

## Attachment B

**Alternative #3** - Operations & Maintenance reserve target set to 40 percent of annual operating & increasing annual percent increases.



CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 3

TABLE 1  
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS				5 Year Rate Period							
RATE REVENUE REQUIREMENTS SUMMARY		Budget	Projected								
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<b>Sources of Sewer Funds</b>											
Rate Revenue Under Current Rates (1, 2)		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		3,000	3,008	3,016	3,112	3,112	3,112	3,112	3,112	3,145	3,170
Interest Earnings (in Operating Reserve) (3)		21,800	28,965	16,493	23,730	38,400	43,440	42,473	50,000	51,520	53,060
<b>Total Sources of Funds</b>		<b>\$ 5,927,800</b>	<b>\$ 5,951,026</b>	<b>\$ 5,954,615</b>	<b>\$ 6,150,000</b>	<b>\$ 6,164,670</b>	<b>\$ 6,169,710</b>	<b>\$ 6,168,743</b>	<b>\$ 6,176,270</b>	<b>\$ 6,242,036</b>	<b>\$ 6,293,100</b>
<b>Uses of Sewer Funds</b>											
Operating Expenses (4):											
Salaries		\$ 795,000	\$ 818,950	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits		246,895	265,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492	338,133
Other Operating Expenses		3,325,195	3,532,918	3,907,770	5,590,782	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers		865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
<b>Subtotal: Operating Expenses</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>
Other Expenditures:											
Prepayment PERS		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service		-	-	-	-	-	-	-	-	-	-
Future Debt Service		-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses		-	-	-	-	641,916	1,791,078	1,701,937	1,352,887	1,244,708	1,299,864
<b>Subtotal: Other Expenditures</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 641,916</b>	<b>\$ 1,791,078</b>	<b>\$ 1,701,937</b>	<b>\$ 1,352,887</b>	<b>\$ 1,244,708</b>	<b>\$ 1,299,864</b>
<b>Total Uses of Sewer Funds</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,881,847</b>	<b>\$ 7,858,865</b>	<b>\$ 7,952,589</b>	<b>\$ 7,791,949</b>	<b>\$ 7,877,891</b>	<b>\$ 8,133,056</b>
<b>plus: Revenue from Rate Increases</b>		<b>-</b>	<b>177,572</b>	<b>483,711</b>	<b>962,691</b>	<b>1,600,309</b>	<b>2,372,655</b>	<b>2,372,655</b>	<b>2,372,655</b>	<b>2,397,537</b>	<b>2,503,253</b>
<b>Annual Surplus/(Deficit)</b>		<b>\$ 695,710</b>	<b>\$ 630,229</b>	<b>\$ 504,739</b>	<b>\$ (566,221)</b>	<b>\$ (116,888)</b>	<b>\$ 883,501</b>	<b>\$ 588,809</b>	<b>\$ 756,976</b>	<b>\$ 761,682</b>	<b>\$ 663,267</b>
<b>Net Revenue Req'd. (Total Uses less Non-Rate Revenue)</b>		<b>\$ 5,207,290</b>	<b>\$ 5,466,395</b>	<b>\$ 5,914,078</b>	<b>\$ 7,651,971</b>	<b>\$ 7,840,335</b>	<b>\$ 7,812,313</b>	<b>\$ 7,907,005</b>	<b>\$ 7,738,837</b>	<b>\$ 7,823,227</b>	<b>\$ 8,076,826</b>
<b>Total Rate Revenue After Rate Increases</b>		<b>\$ 5,903,000</b>	<b>\$ 6,096,625</b>	<b>\$ 6,418,818</b>	<b>\$ 7,085,750</b>	<b>\$ 7,723,467</b>	<b>\$ 8,495,814</b>	<b>\$ 8,495,814</b>	<b>\$ 8,495,814</b>	<b>\$ 8,584,908</b>	<b>\$ 8,740,124</b>
<b>Projected Annual Rate Revenue Increase</b>		<b>0.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>7.00%</b>	<b>9.00%</b>	<b>10.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>		<b>0.00%</b>	<b>3.00%</b>	<b>8.10%</b>	<b>15.10%</b>	<b>26.14%</b>	<b>38.75%</b>	<b>38.75%</b>	<b>38.75%</b>	<b>38.75%</b>	<b>40.14%</b>
<b>Debt Coverage After Rate Increase</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf.
- Customer growth rates for each year per City of Lemon Grove estimates, and are shown in Table 7 of Exhibit 1.
- Interest earnings are per the City's Summary Budget in FY 2016/17, and calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf. Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond.

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 3

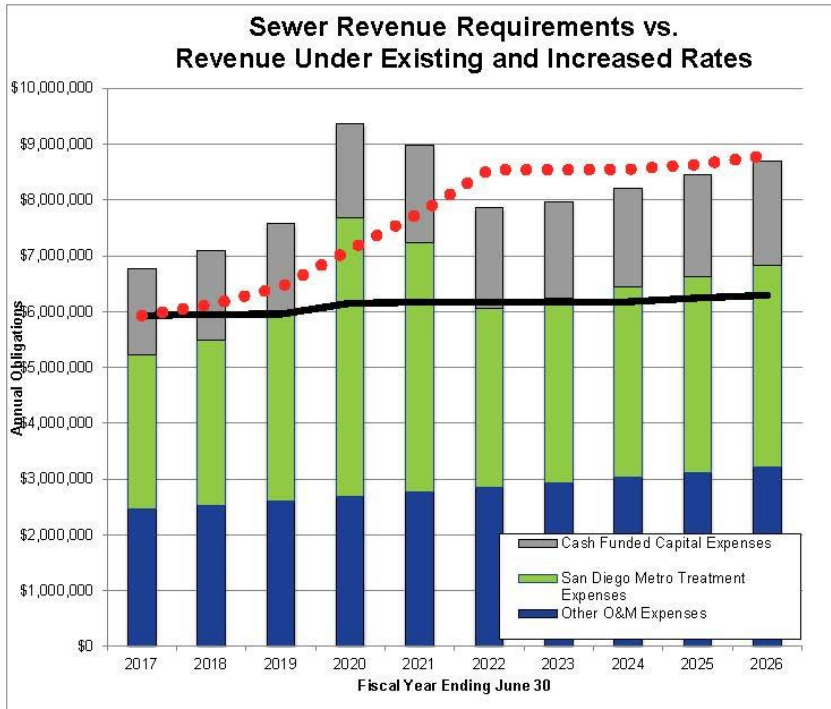
TABLE 2  
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5 Year Rate Period									
	Budget FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<b>Total Beginning Cash</b>	<b>\$ 16,507,541</b>									
<b>Operating Reserve Fund</b>										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 5,793,000	\$ 2,199,000	\$ 2,373,000	\$ 3,072,000	\$ 2,896,000	\$ 2,427,000	\$ 2,500,000	\$ 2,576,000	\$ 2,653,000
Plus: Net Cash Flow (After Rate Increases)	695,710	630,229	504,739	(566,221)	(116,968)	693,501	588,809	756,976	761,682	663,297
Net: Transfer From / (To) Rate Stabilization Reserve	(465,855)	(192,027)	(330,739)	1,265,221	(59,132)	(1,124,317)	(96,523)	(99,419)	(102,402)	(105,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(1,862,477)	(4,032,202)	-	-	-	(28,184)	(419,285)	(581,557)	(582,280)	(477,824)
<b>Ending Operating Reserve Balance</b>	<b>\$ 5,793,000</b>	<b>\$ 2,199,000</b>	<b>\$ 2,373,000</b>	<b>\$ 3,072,000</b>	<b>\$ 2,896,000</b>	<b>\$ 2,427,000</b>	<b>\$ 2,500,000</b>	<b>\$ 2,576,000</b>	<b>\$ 2,653,000</b>	<b>\$ 2,733,000</b>
<b>Target Ending Balance (40% of O&amp;M) (2)</b>	<b>\$ 2,093,000</b>	<b>\$ 2,199,000</b>	<b>\$ 2,373,000</b>	<b>\$ 3,072,000</b>	<b>\$ 2,896,000</b>	<b>\$ 2,427,000</b>	<b>\$ 2,500,000</b>	<b>\$ 2,576,000</b>	<b>\$ 2,653,000</b>	<b>\$ 2,733,000</b>
<b>Capital Reserve Fund</b>										
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 3,371,796	\$ 5,812,649	\$ 4,173,558	\$ 2,485,295	\$ 1,388,300	\$ 1,416,484	\$ 1,825,985	\$ 1,997,357	\$ 2,008,380
Plus: Grant Proceeds	-	4,032,202	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,862,477	-	-	-	-	28,184	419,285	581,557	582,280	477,824
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,591,350)	(1,639,091)	(1,689,263)	(1,096,995)	-	(9,784)	(410,185)	(571,257)	(570,580)
<b>Ending Capital Reserve Balance</b>	<b>\$ 3,371,796</b>	<b>\$ 5,812,649</b>	<b>\$ 4,173,558</b>	<b>\$ 2,485,295</b>	<b>\$ 1,388,300</b>	<b>\$ 1,416,484</b>	<b>\$ 1,825,985</b>	<b>\$ 1,997,357</b>	<b>\$ 2,008,380</b>	<b>\$ 1,915,624</b>
<b>Target Ending Balance (3% net assets) (4)</b>	<b>\$ 1,358,800</b>	<b>\$ 1,364,300</b>	<b>\$ 1,371,100</b>	<b>\$ 1,379,100</b>	<b>\$ 1,388,300</b>	<b>\$ 1,398,800</b>	<b>\$ 1,406,700</b>	<b>\$ 1,415,800</b>	<b>\$ 1,426,100</b>	<b>\$ 1,437,800</b>
<b>Rate Stabilization Reserve</b>										
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,299,221	\$ 2,034,000	\$ 2,093,132	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793
Net: Transfer From / (To) Operating Reserve	465,855	192,027	330,739	(1,265,221)	59,132	1,124,317	96,523	99,419	102,402	105,474
<b>Ending Rate Stabilization Reserve Balance</b>	<b>\$ 2,776,455</b>	<b>\$ 2,968,482</b>	<b>\$ 3,299,221</b>	<b>\$ 2,034,000</b>	<b>\$ 2,093,132</b>	<b>\$ 3,217,449</b>	<b>\$ 3,313,972</b>	<b>\$ 3,413,392</b>	<b>\$ 3,515,793</b>	<b>\$ 3,621,267</b>
<b>Target Ending Balance (1 year Metro Costs) (5)</b>	<b>\$ 2,776,455</b>	<b>\$ 2,968,482</b>	<b>\$ 3,327,176</b>	<b>\$ 4,993,534</b>	<b>\$ 4,473,368</b>	<b>\$ 3,217,449</b>	<b>\$ 3,313,972</b>	<b>\$ 3,413,392</b>	<b>\$ 3,515,793</b>	<b>\$ 3,621,267</b>
<b>Pure Water Reserve</b>										
Beginning Reserve Balance (3)	\$ -	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Plus: Transfer From Operating Reserve	3,700,000	-	-	-	-	-	-	-	-	-
<b>Ending Pure Water Reserve Balance</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>
<b>Target Ending Balance (\$3.7 m) (6)</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 15,811,251</b>	<b>\$ 14,630,511</b>	<b>\$ 13,545,720</b>	<b>\$ 11,201,225</b>	<b>\$ 10,077,432</b>	<b>\$ 10,743,249</b>	<b>\$ 11,920,672</b>	<b>\$ 11,050,858</b>	<b>\$ 11,028,119</b>	<b>\$ 11,324,712</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 9,928,245</b>	<b>\$ 10,231,782</b>	<b>\$ 10,771,276</b>	<b>\$ 13,144,634</b>	<b>\$ 12,457,668</b>	<b>\$ 10,743,249</b>	<b>\$ 10,920,672</b>	<b>\$ 11,105,192</b>	<b>\$ 11,294,393</b>	<b>\$ 11,492,067</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 5,712,996</b>	<b>\$ 4,448,349</b>	<b>\$ 2,774,504</b>	<b>\$ (1,853,339)</b>	<b>\$ (2,380,236)</b>	<b>\$ 17,684</b>	<b>\$ 419,285</b>	<b>\$ 581,557</b>	<b>\$ 582,280</b>	<b>\$ 477,824</b>
<b>Restricted Reserves:</b>										
<b>Connection Fee Reserve</b>										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158
Plus: Interest Earnings	43	170	384	686	1,079	1,665	2,151	2,842	3,238	3,643
Plus: Connection Fee Revenue	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
<b>Ending Connection Fee Fund Balance</b>	<b>\$ 34,043</b>	<b>\$ 51,213</b>	<b>\$ 68,597</b>	<b>\$ 86,283</b>	<b>\$ 104,361</b>	<b>\$ 122,927</b>	<b>\$ 142,078</b>	<b>\$ 161,920</b>	<b>\$ 182,158</b>	<b>\$ 202,801</b>
<b>Annual Interest Earnings Rate (7)</b>	<b>0.25%</b>	<b>0.50%</b>	<b>0.75%</b>	<b>1.00%</b>	<b>1.25%</b>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17.
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses.
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: Detailed Trial Balance Fund 16 2016.pdf & Summary Trial Balance Fund 16
- Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve.
- The 3% of Net Asset calculation includes Lemon Grove's FY 2016/17 CIP cost allocation of 1.31% of San Diego Metro Net Capital Assets, and Lemon Grove owned assets.
- The Rate Stabilization Reserve target ending balance remains equal one year of Metro costs matching the previous study from March 2011 (page 2). Expected annual costs from October JPA agenda item Pure Water Program Update.
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another program replaces the pure water San Diego program to provide secondary treatment or secondary equivalency then this reserve will be renamed to the replacement program. The reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- Historical interest earnings rates were referenced on the California Treasurer's Office website for funds invested in LAF.

Future years earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.

CHART 1

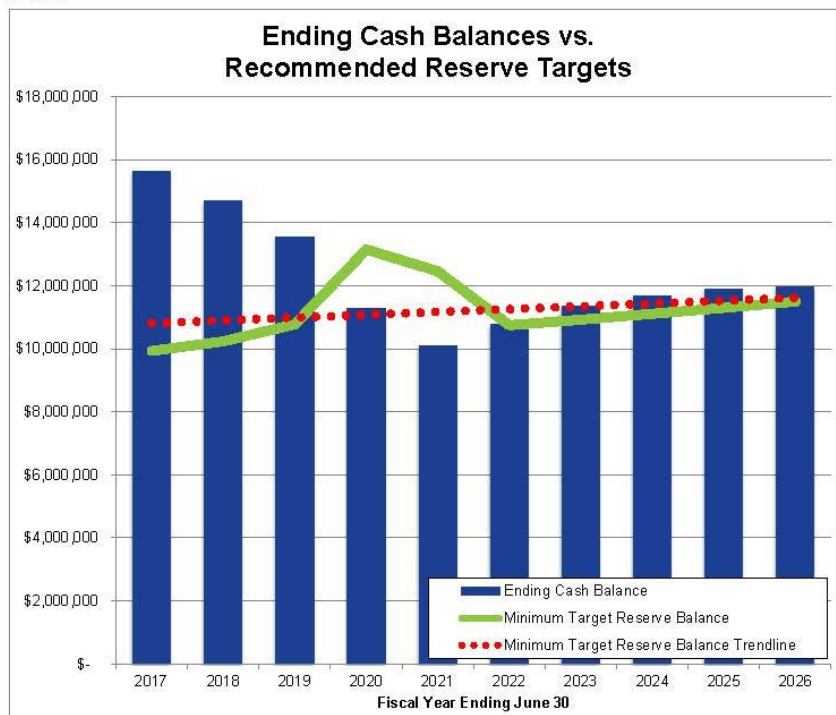


# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Rate Adjustment Charts and Report Tables

Alternative Number - 3

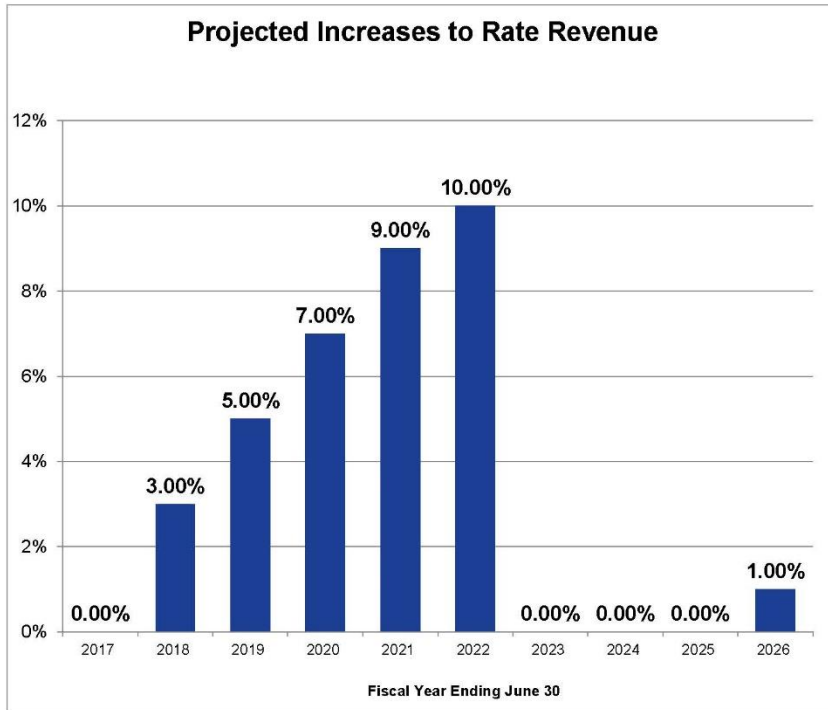
CHART 2



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Charts and Tables  
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CHART 3



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 3

TABLE 3 - REVENUE FORECAST (1)

TABLE 3 - REVENUE FORECAST (1)		5 Year Rate Period										
SOURCES OF REVENUE		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
R11 Miscellaneous Revenue												
4370 Other Revenue (2)	1	\$	3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
R14 Interest & Investment Income												
4420 Interest (3)	See FP	\$	21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R16 Grant Revenue												
4430 Cost Recovery	1	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R17 All Other Revenue												
4595 Sewer Capacity Fee	9	\$	17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 Sewer Service Fee	1	\$	5,853,000	\$ 5,868,917	\$ 5,884,834	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,963	\$ 6,184,042
4605 Sewer Service - LGSD La Mesa SD	1	\$	50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
TOTAL REVENUE			\$ 5,944,800	\$ 5,939,061	\$ 5,955,123	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,143,270	\$ 6,207,516	\$ 6,257,040

TABLE 4

REVENUE SUMMARY		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Sewer Operations - 15:</b>											
Sewer Rate Revenue		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings		\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee		\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
<b>Subtotal: Sewer Operations Revenue</b>		<b>\$ 5,944,800</b>	<b>\$ 5,939,061</b>	<b>\$ 5,955,123</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,207,516</b>	<b>\$ 6,257,040</b>

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Exhibit 1 (O&M)  
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CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 3

TABLE 5 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E05 Salaries</b>											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
<b>Subtotal: E05 Salaries</b>		<b>\$ 795,000</b>	<b>\$ 818,850</b>	<b>\$ 843,416</b>	<b>\$ 868,718</b>	<b>\$ 894,780</b>	<b>\$ 921,623</b>	<b>\$ 949,272</b>	<b>\$ 977,750</b>	<b>\$ 1,007,082</b>	<b>\$ 1,037,295</b>
<b>E10 Benefits</b>											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
5090 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E10 Benefits</b>		<b>\$ 246,895</b>	<b>\$ 255,651</b>	<b>\$ 264,723</b>	<b>\$ 274,124</b>	<b>\$ 283,865</b>	<b>\$ 293,959</b>	<b>\$ 304,419</b>	<b>\$ 315,259</b>	<b>\$ 326,492</b>	<b>\$ 338,133</b>
<b>E15 Benefits - Retirement</b>											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E05 Benefits - Retirement</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 1,041,895</b>	<b>\$ 1,074,501</b>	<b>\$ 1,108,139</b>	<b>\$ 1,142,842</b>	<b>\$ 1,178,645</b>	<b>\$ 1,215,582</b>	<b>\$ 1,253,691</b>	<b>\$ 1,293,009</b>	<b>\$ 1,333,574</b>	<b>\$ 1,375,428</b>

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Exhibit 1 (O&M)  
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# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 3

TABLE 6 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E40 Other Operating Expenses</b>											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5620 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5640 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5650 Equipment Rental	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5655 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 19,871	\$ 20,665	\$ 21,492
5710 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5750 Industrial Enforcement	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 80,000	\$ 81,800	\$ 83,654	\$ 85,564	\$ 87,531	\$ 89,556	\$ 91,643	\$ 93,792	\$ 96,006	\$ 98,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	11	\$ 66,040	\$ 67,097	\$ 68,170	\$ 69,261	\$ 70,369	\$ 71,495	\$ 72,639	\$ 73,801	\$ 74,982	\$ 76,182
6090 Office Supplies	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219
6170 Repairs & Maintenance	2	\$ 5,400	\$ 5,562	\$ 5,729	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841	\$ 7,046
6180 Repairs & Maintenance - Equipment	2	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
6190 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6200 Restoration Services	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6210 Street Sweeping	2	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802	\$ 23,486
6220 Tools & Supplies	2	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353
6230 Traffic Safety Equipment	2	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6280 Utilities - Water	2	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167	\$ 3,262
<b>Subtotal: E15 Other Operating Expenses</b>		<b>\$ 3,325,195</b>	<b>\$ 3,532,918</b>	<b>\$ 3,907,770</b>	<b>\$ 5,590,762</b>	<b>\$ 5,087,721</b>	<b>\$ 3,849,432</b>	<b>\$ 3,964,106</b>	<b>\$ 4,082,213</b>	<b>\$ 4,203,854</b>	<b>\$ 4,329,136</b>
<b>E65 Transfers</b>											
6900 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
<b>Subtotal: E65 Transfers</b>		<b>\$ 865,000</b>	<b>\$ 890,950</b>	<b>\$ 917,679</b>	<b>\$ 945,209</b>	<b>\$ 973,565</b>	<b>\$ 1,002,772</b>	<b>\$ 1,032,855</b>	<b>\$ 1,063,841</b>	<b>\$ 1,095,756</b>	<b>\$ 1,128,629</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 4,190,195</b>	<b>\$ 4,423,868</b>	<b>\$ 4,825,448</b>	<b>\$ 6,535,971</b>	<b>\$ 6,061,286</b>	<b>\$ 4,852,204</b>	<b>\$ 4,996,962</b>	<b>\$ 5,146,053</b>	<b>\$ 5,299,610</b>	<b>\$ 5,457,765</b>
<b>Total: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>

Prepared By NBS

Exhibit 1 (O&M)  
Page 8 of 11

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 3

TABLE 7 - FORECASTING ASSUMPTIONS:

ECONOMIC VARIABLES	Basis	2017	5 Year Rate Period					2023	2024	2025	2026
			2018	2019	2020	2021	2022				
Customer Growth (7)	1	—	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
General Cost Inflation	2	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (8)	3	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (8)	4	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (8)	5	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (8)	6	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (8)	7	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (9)	8	—	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
No Escalation	9	—	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (5)	10	20.16%	6.92%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *BudgetEmail 4.13.16.pdf*.
- In FY 2015/16, there was a one time settlement from Padre Dam. Source file: *BudgetEmail 4.13.16.pdf*.
- Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *BudgetEmail 4.13.16.pdf*.
- Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
- San Diego Metro cost for FY 2016/17 through 2021/22 from October JPA agenda item Pure Water Program Update, high range cost for each year (page 44). Then 3% annually.
- Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *BudgetEmail 4.13.16.pdf*.
- Client provided source file: *Lemon Grove Sewage Flow Projections.pdf*, and then actual calculations of raw data was completed in source file: *Lemon Grove Growth Projections.xlsx*.
- NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
- The source of the electricity inflation factor is the projected nominal escalation rate for 2006-2020, for Southern California Edison customers as referenced in the following study: *The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040* by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis.
- The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data. Client provided source file: *City of San Diego Transportation Rate Feb 2016.pdf*, pg. 2.

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

EXHIBIT 2  
Alternative Number - 3

TABLE 8 - CAPITAL FUNDING SUMMARY

TABLE 8 - CAPITAL FUNDING SUMMARY		5 Year Rate Period										
CAPITAL FUNDING FORECAST		Budget	FY 2017/18					Projected				
Funding Sources:		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	
Grants		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Use of Capacity Fee Reserves		-	-	-	-	-	-	-	-	-	-	
Use of SRF Loan Funding		-	-	-	-	-	-	-	-	-	-	
Use of New Revenue Bond Proceeds		-	-	-	-	-	-	-	-	-	-	
Use of Capital Improvement Reserve		1,545,000	1,591,350	1,639,091	1,688,263	1,096,995	-	9,784	410,185	571,257	570,580	
Rate Revenue		-	-	-	-	641,916	1,791,078	1,701,937	1,352,887	1,244,708	1,299,894	
Total Sources of Capital Funds		\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444	
Uses of Capital Funds:												
Total Project Costs		\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444	
Capital Funding Surplus (Deficiency)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

TABLE 9 - Capital Improvement Program Costs (in Current-Year Dollars) (1):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures (2)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>

Average used for Future year projects \$ 1,391,786

TABLE 10 - Capital Improvement Program Costs (in Future-Year Dollars):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Blvd Sewer Rehab (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 106,090	\$ 109,273	\$ 112,551	\$ 115,927	\$ 119,405	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,030,000	\$ 1,060,900	\$ 1,092,727	\$ 1,125,509	\$ 1,159,274	\$ 1,194,052	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 154,500	\$ 159,135	\$ 163,909	\$ 168,826	\$ 173,891	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 1,545,000</b>	<b>\$ 1,591,350</b>	<b>\$ 1,639,091</b>	<b>\$ 1,688,263</b>	<b>\$ 1,738,911</b>	<b>\$ 1,791,078</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>

TABLE 11 - FORECASTING ASSUMPTIONS:

Economic Variables	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News Record (3)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34

- Budgeted CIP project costs from source file: CIP through 2020-21.pdf.
- Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21.
- For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015. Source: Engineering News Record website (<http://enr.construction.com>).

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Existing Sewer Rate Schedule

EXHIBIT 4  
Alternative Number - 3

TABLE 12

Annual Sewer Use Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
		3.00%	5.00%	7.00%	9.00%	10.00%
Rate Per EDU (240 gpd)	\$553.17	\$569.77	\$598.25	\$640.13	\$697.74	\$767.52

1. Ordinance No.26.pdf

Prepared By NBS

Exhibit 3 (Rates)  
Page 11 of 11

## Attachment B

**Alternative #4** - Operations & Maintenance reserve target set to 55 percent of annual operating & increasing annual percent increases.



CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 4

TABLE 1  
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	5 Year Rate Period									
	Budget	Projected								
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<b>Sources of Sewer Funds</b>										
Rate Revenue Under Current Rates (1, 2)	\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue	3,000	3,009	3,016	3,112	3,112	3,112	3,112	3,112	3,145	3,170
Interest Earnings (in Operating Reserve) (3)	21,800	32,890	22,680	32,630	52,788	59,730	58,398	68,760	70,820	72,960
<b>Total Sources of Funds</b>	<b>\$ 5,927,800</b>	<b>\$ 5,954,951</b>	<b>\$ 5,960,803</b>	<b>\$ 6,158,900</b>	<b>\$ 6,179,058</b>	<b>\$ 6,186,000</b>	<b>\$ 6,184,668</b>	<b>\$ 6,195,030</b>	<b>\$ 6,261,336</b>	<b>\$ 6,313,000</b>
<b>Uses of Sewer Funds</b>										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 818,950	\$ 843,416	\$ 868,718	\$ 894,790	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082	\$ 1,037,295
Benefits	246,895	265,651	264,723	274,124	283,865	293,959	304,419	315,359	326,492	338,133
Other Operating Expenses	3,325,195	3,532,918	3,907,770	5,590,782	5,087,721	3,849,432	3,964,106	4,082,213	4,203,854	4,329,136
Transfers	865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756	1,128,629
<b>Subtotal: Operating Expenses</b>	<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>
Other Expenditures:										
Prepayment PERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	369,854	-	-	1,366,524	1,791,078	1,706,629	1,124,539	779,483	597,652
Subtotal: Other Expenditures	\$ -	\$ 369,854	\$ -	\$ -	\$ 1,366,524	\$ 1,791,078	\$ 1,706,629	\$ 1,124,539	\$ 779,483	\$ 597,652
<b>Total Uses of Sewer Funds</b>	<b>\$ 5,232,090</b>	<b>\$ 5,867,222</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 8,606,454</b>	<b>\$ 7,858,865</b>	<b>\$ 7,957,282</b>	<b>\$ 7,563,601</b>	<b>\$ 7,412,667</b>	<b>\$ 7,430,844</b>
<b>plus: Revenue from Rate Increases</b>	<b>-</b>	<b>236,762</b>	<b>607,755</b>	<b>1,167,025</b>	<b>1,823,142</b>	<b>2,617,772</b>	<b>2,617,772</b>	<b>2,617,772</b>	<b>2,645,224</b>	<b>2,666,396</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$ 695,710</b>	<b>\$ 324,491</b>	<b>\$ 634,971</b>	<b>\$ (352,888)</b>	<b>\$ (604,255)</b>	<b>\$ 944,907</b>	<b>\$ 845,157</b>	<b>\$ 1,249,201</b>	<b>\$ 1,493,893</b>	<b>\$ 1,548,541</b>
<b>Net Revenue Req'd. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 5,207,290</b>	<b>\$ 5,831,324</b>	<b>\$ 5,907,891</b>	<b>\$ 7,643,071</b>	<b>\$ 8,550,555</b>	<b>\$ 7,796,023</b>	<b>\$ 7,895,773</b>	<b>\$ 7,491,729</b>	<b>\$ 7,338,702</b>	<b>\$ 7,354,715</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 5,903,000</b>	<b>\$ 6,155,815</b>	<b>\$ 6,542,861</b>	<b>\$ 7,290,184</b>	<b>\$ 7,946,300</b>	<b>\$ 8,740,930</b>	<b>\$ 8,740,930</b>	<b>\$ 8,740,930</b>	<b>\$ 8,832,595</b>	<b>\$ 8,903,256</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>8.00%</b>	<b>9.00%</b>	<b>10.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>4.00%</b>	<b>10.24%</b>	<b>19.06%</b>	<b>29.77%</b>	<b>42.75%</b>	<b>42.75%</b>	<b>42.75%</b>	<b>42.75%</b>	<b>42.75%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf.
- Customer growth rates for each year per City of Lemon Grove estimates, and are shown in Table 7 of Exhibit 1.
- Interest earnings are per the City's Summary Budget in FY 2016/17, and calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email and are detailed in Exhibit 1 (O&M). Source files: Sanitation Budgets.xlsx; budgetEmail 4.13.16.pdf. Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond.



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections

Financial Plan & Reserve Summary  
Alternative Number - 4

TABLE 2  
RESERVE FUND SUMMARY

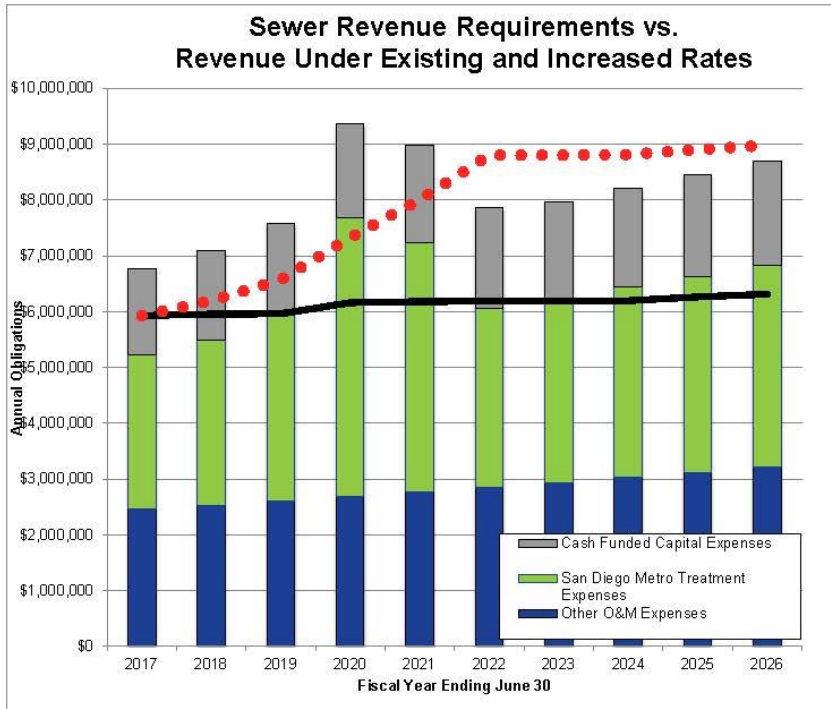
SUMMARY OF CASH ACTIVITY	5 Year Rate Period									
	Budget	Projected					Projected			
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<b>Total Beginning Cash</b>	<b>\$ 16,507,541</b>									
<b>Operating Reserve Fund</b>										
Beginning Reserve Balance (1)	\$ 11,125,622	\$ 6,578,000	\$ 3,024,000	\$ 3,263,000	\$ 4,223,000	\$ 3,982,000	\$ 3,337,000	\$ 3,438,000	\$ 3,541,000	\$ 3,648,000
Plus: Net Cash Flow (After Rate Increases)	695,710	324,491	634,971	(352,888)	(604,255)	944,907	845,157	1,249,201	1,493,863	1,548,541
Net: Transfer From / (To) Rate Stabilization Reserve	(465,855)	(192,027)	(358,894)	1,312,888	363,255	(1,566,416)	(96,523)	(99,419)	(102,402)	(105,474)
Less: Transfer Out to Pure Water Reserve	(3,700,000)	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(1,077,477)	(3,686,464)	(37,277)	-	-	(23,491)	(647,634)	(1,046,782)	(1,284,491)	(1,333,068)
<b>Ending Operating Reserve Balance</b>	<b>\$ 6,578,000</b>	<b>\$ 3,024,000</b>	<b>\$ 3,263,000</b>	<b>\$ 4,223,000</b>	<b>\$ 3,982,000</b>	<b>\$ 3,337,000</b>	<b>\$ 3,438,000</b>	<b>\$ 3,541,000</b>	<b>\$ 3,648,000</b>	<b>\$ 3,758,000</b>
<b>Target Ending Balance (50% of O&amp;M) (2)</b>	<b>\$ 2,878,000</b>	<b>\$ 3,024,000</b>	<b>\$ 3,263,000</b>	<b>\$ 4,223,000</b>	<b>\$ 3,982,000</b>	<b>\$ 3,337,000</b>	<b>\$ 3,438,000</b>	<b>\$ 3,541,000</b>	<b>\$ 3,648,000</b>	<b>\$ 3,758,000</b>
<b>Capital Reserve Fund</b>										
Beginning Reserve Balance (3)	\$ 3,054,319	\$ 2,586,796	\$ 5,050,764	\$ 3,448,951	\$ 1,760,687	\$ 1,388,300	\$ 1,411,791	\$ 2,054,334	\$ 2,462,582	\$ 2,710,581
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	1,077,477	3,886,464	37,277	-	-	23,491	647,634	1,046,782	1,284,491	1,333,068
Less: Use of Reserves for Capital Projects	(1,545,000)	(1,222,496)	(1,639,091)	(1,689,263)	(372,387)	-	(5,091)	(638,534)	(1,038,482)	(1,272,791)
<b>Ending Capital Reserve Balance</b>	<b>\$ 2,586,796</b>	<b>\$ 5,050,764</b>	<b>\$ 3,448,951</b>	<b>\$ 1,760,687</b>	<b>\$ 1,388,300</b>	<b>\$ 1,411,791</b>	<b>\$ 2,054,334</b>	<b>\$ 2,462,582</b>	<b>\$ 2,710,581</b>	<b>\$ 2,770,868</b>
<b>Target Ending Balance (3% net assets) (4)</b>	<b>\$ 1,358,800</b>	<b>\$ 1,364,300</b>	<b>\$ 1,371,100</b>	<b>\$ 1,379,100</b>	<b>\$ 1,388,300</b>	<b>\$ 1,398,800</b>	<b>\$ 1,406,700</b>	<b>\$ 1,415,800</b>	<b>\$ 1,426,100</b>	<b>\$ 1,437,800</b>
<b>Rate Stabilization Reserve</b>										
Beginning Reserve Balance (3)	\$ 2,310,600	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 2,014,288	\$ 1,651,033	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793
Net: Transfer From / (To) Operating Reserve	465,855	192,027	358,894	(1,312,888)	(363,255)	1,566,416	96,523	99,419	102,402	105,474
<b>Ending Rate Stabilization Reserve Balance</b>	<b>\$ 2,776,455</b>	<b>\$ 2,968,482</b>	<b>\$ 3,327,176</b>	<b>\$ 2,014,288</b>	<b>\$ 1,651,033</b>	<b>\$ 3,217,449</b>	<b>\$ 3,313,972</b>	<b>\$ 3,413,392</b>	<b>\$ 3,515,793</b>	<b>\$ 3,621,267</b>
<b>Target Ending Balance (1 year Metro Costs) (5)</b>	<b>\$ 2,776,455</b>	<b>\$ 2,968,482</b>	<b>\$ 3,327,176</b>	<b>\$ 4,993,534</b>	<b>\$ 4,473,368</b>	<b>\$ 3,217,449</b>	<b>\$ 3,313,972</b>	<b>\$ 3,413,392</b>	<b>\$ 3,515,793</b>	<b>\$ 3,621,267</b>
<b>Pure Water Reserve</b>										
Beginning Reserve Balance (3)	\$ -	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000	\$ 3,700,000
Plus: Transfer From Operating Reserve	3,700,000	-	-	-	-	-	-	-	-	-
<b>Ending Pure Water Reserve Balance</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>
<b>Target Ending Balance (\$3.7 mil) (6)</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>	<b>\$ 3,700,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 15,841,251</b>	<b>\$ 14,725,243</b>	<b>\$ 13,720,122</b>	<b>\$ 11,602,925</b>	<b>\$ 10,721,833</b>	<b>\$ 11,603,210</b>	<b>\$ 12,505,310</b>	<b>\$ 13,115,071</b>	<b>\$ 13,572,435</b>	<b>\$ 13,859,153</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 10,713,245</b>	<b>\$ 11,056,782</b>	<b>\$ 11,661,276</b>	<b>\$ 14,295,634</b>	<b>\$ 13,543,668</b>	<b>\$ 11,653,242</b>	<b>\$ 11,858,672</b>	<b>\$ 12,070,192</b>	<b>\$ 12,288,393</b>	<b>\$ 12,517,067</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 4,927,996</b>	<b>\$ 3,668,461</b>	<b>\$ 2,077,851</b>	<b>\$ (2,597,659)</b>	<b>\$ (2,822,335)</b>	<b>\$ 12,991</b>	<b>\$ 647,634</b>	<b>\$ 1,046,782</b>	<b>\$ 1,284,491</b>	<b>\$ 1,333,068</b>
<b>Restricted Reserves:</b>										
<b>Connection Fee Reserve</b>										
Beginning Reserve Balance	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920	\$ 182,158
Plus: Interest Earnings	43	170	384	686	1,079	1,665	2,151	2,842	3,238	3,643
Plus: Connection Fee Revenue	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
<b>Ending Connection Fee Fund Balance</b>	<b>\$ 34,043</b>	<b>\$ 51,213</b>	<b>\$ 68,597</b>	<b>\$ 86,283</b>	<b>\$ 104,361</b>	<b>\$ 122,927</b>	<b>\$ 142,078</b>	<b>\$ 161,920</b>	<b>\$ 182,158</b>	<b>\$ 202,801</b>
<b>Annual Interest Earnings Rate (7)</b>	<b>0.25%</b>	<b>0.50%</b>	<b>0.75%</b>	<b>1.00%</b>	<b>1.25%</b>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>

- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for 2016/17.
- The operating reserve target ending balance recommend to be 180 days or 50% of O&M Expenses.
- Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16, 2016/17. Source files: Detailed Trial Balance Fund 16 2016.pdf & Summary Trial Balance Fund 16
- Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve.
- The 3% of Net Asset calculation includes Lemon Grove's FY 2016/17 CIP cost allocation of 1.31% of San Diego Metro Net Capital Assets, and Lemon Grove owned assets.
- The Rate Stabilization Reserve target ending balance remains equal one year of Metro costs matching the previous study from March 2011 (page 2). Expected annual costs from October JPA agenda item Pure Water Program Update.
- The Pure Water San Diego Program is intended to provide secondary equivalency for treatment of waste water in the metro system. If another program replaces the pure water San Diego program to provide secondary treatment or secondary equivalency then this reserve will be renamed to the replacement program. The reserve target is based upon the 5 year average of total expected Metro costs as recommended by staff via email 11/17/16.
- Historical interest earnings rates were referenced on the California Treasurer's Office website for funds invested in LAF.

Future years earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.



CHART 1

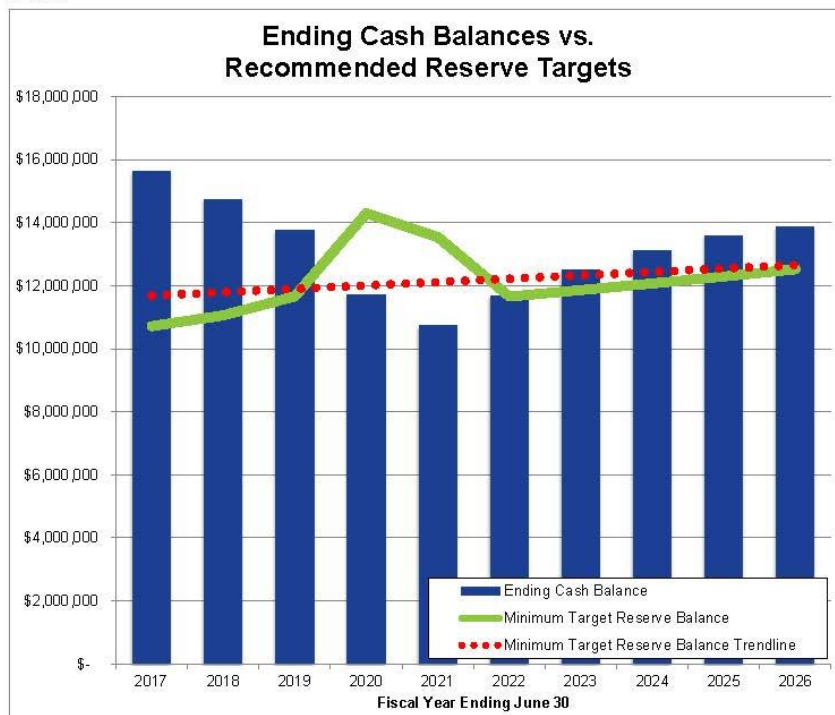


# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Rate Adjustment Charts and Report Tables

Alternative Number - 4

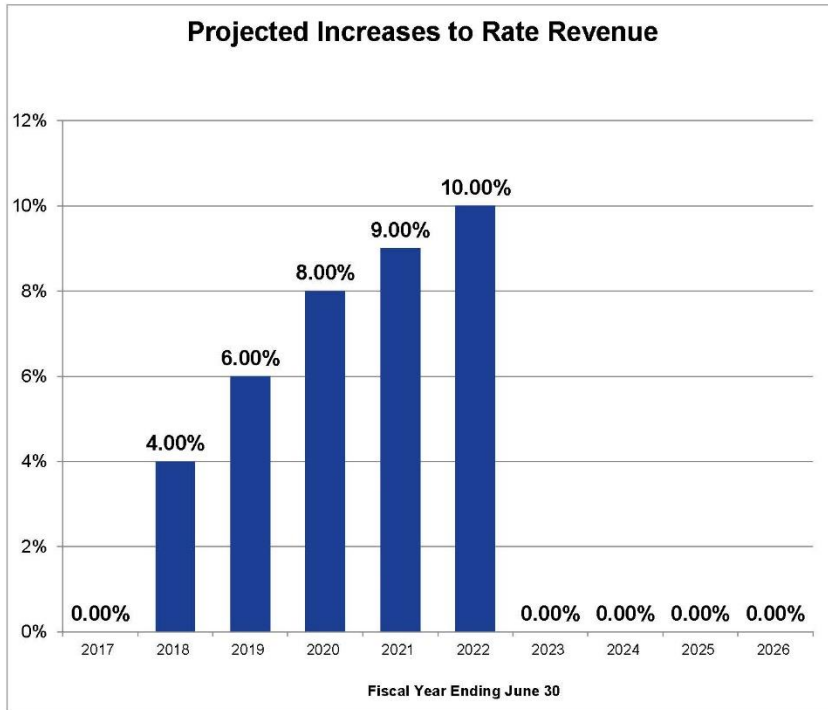
CHART 2



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Charts and Tables  
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CHART 3



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 4

TABLE 3 - REVENUE FORECAST (1)

		5 Year Rate Period										
SOURCES OF REVENUE		Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>R11 Miscellaneous Revenue</b>												
4370 Other Revenue (2)		1	\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
<b>R14 Interest &amp; Investment Income</b>												
4420 Interest (3)		See FP	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax		See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>R16 Grant Revenue</b>												
4430 Cost Recovery		1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>R17 All Other Revenue</b>												
4595 Sewer Capacity Fee		9	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 Sewer Service Fee		1	\$ 5,853,000	\$ 5,868,917	\$ 5,884,834	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,963	\$ 6,184,042
4605 Sewer Service - LGSD La Mesa SD		1	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409	\$ 52,828
<b>TOTAL REVENUE</b>			<b>\$ 5,944,800</b>	<b>\$ 5,939,061</b>	<b>\$ 5,955,123</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,207,516</b>	<b>\$ 6,257,040</b>

TABLE 4

REVENUE SUMMARY		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Sewer Operations - 15:</b>											
Sewer Rate Revenue		\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371	\$ 6,236,870
Other Operating Revenue		\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145	\$ 3,170
Interest Earnings		\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee		\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
<b>Subtotal: Sewer Operations Revenue</b>		<b>\$ 5,944,800</b>	<b>\$ 5,939,061</b>	<b>\$ 5,955,123</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,207,516</b>	<b>\$ 6,257,040</b>

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Exhibit 1 (O&M)  
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CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 4

TABLE 5 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E05 Salaries</b>											
5000 Salaries	3	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093	\$ 999,195
5040 Overtime	3	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988	\$ 18,528
5050 Extra Help	3	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
<b>Subtotal: E05 Salaries</b>		<b>\$ 795,000</b>	<b>\$ 818,850</b>	<b>\$ 843,416</b>	<b>\$ 868,718</b>	<b>\$ 894,780</b>	<b>\$ 921,623</b>	<b>\$ 949,272</b>	<b>\$ 977,750</b>	<b>\$ 1,007,082</b>	<b>\$ 1,037,295</b>
<b>E10 Benefits</b>											
5060 Health Benefits	4	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078	\$ 140,481
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213	\$ 22,061
5080 Deferred Comp	3	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154	\$ 2,218
5090 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003	\$ 39,143
5160 Medicare Insurance	4	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476	\$ 19,215
5170 Life Insurance	4	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642	\$ 1,708
5180 Long Term Disability	4	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211	\$ 8,540
5190 Retirement	5	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715	\$ 104,767
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E10 Benefits</b>		<b>\$ 246,895</b>	<b>\$ 255,651</b>	<b>\$ 264,723</b>	<b>\$ 274,124</b>	<b>\$ 283,865</b>	<b>\$ 293,959</b>	<b>\$ 304,419</b>	<b>\$ 315,259</b>	<b>\$ 326,492</b>	<b>\$ 338,133</b>
<b>E15 Benefits - Retirement</b>											
6141 PERS UAL Payments	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E05 Benefits - Retirement</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 1,041,895</b>	<b>\$ 1,074,501</b>	<b>\$ 1,108,139</b>	<b>\$ 1,142,842</b>	<b>\$ 1,178,645</b>	<b>\$ 1,215,582</b>	<b>\$ 1,253,691</b>	<b>\$ 1,293,009</b>	<b>\$ 1,333,574</b>	<b>\$ 1,375,428</b>

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Exhibit 1 (O&M)  
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# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 4

TABLE 6 - OPERATING EXPENSE FORECAST (4):

		5 Year Rate Period									
Sewer Fund Operations	Basis	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>E40 Other Operating Expenses</b>											
5410 Claims Paid	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5440 Computer Maintenance	2	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031	\$ 60,802
5470 Contract Services	2	\$ 55,000	\$ 56,850	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672	\$ 71,763
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5620 Emergency Callout & Repair	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5640 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5650 Equipment Rental	2	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
5655 Estimated Claims Payable	2	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
5700 Fuel	7	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 19,871	\$ 20,665	\$ 21,492
5710 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5750 Industrial Enforcement	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
5760 Insurance - Liability	2	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818	\$ 63,673
5770 Insurance - Property	2	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754	\$ 10,047
5930 Line Cleaning	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 80,000	\$ 81,800	\$ 83,654	\$ 85,564	\$ 87,531	\$ 89,556	\$ 91,643	\$ 93,792	\$ 96,006	\$ 98,286
5990 Medical Examinations	2	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507	\$ 522
6020 Membership & Dues	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6030 Metro Annual Capacity & Treatment (5)	10	\$ 2,776,455	\$ 2,968,482	\$ 3,327,176	\$ 4,993,534	\$ 4,473,368	\$ 3,217,449	\$ 3,313,972	\$ 3,413,392	\$ 3,515,793	\$ 3,621,267
6040 Mileage	2	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
6060 Sewage Transportation	11	\$ 66,040	\$ 67,097	\$ 68,170	\$ 69,261	\$ 70,369	\$ 71,495	\$ 72,639	\$ 73,801	\$ 74,982	\$ 76,182
6090 Office Supplies	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841	\$ 94,596
6160 Protective Clothing	2	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219
6170 Repairs & Maintenance	2	\$ 5,400	\$ 5,562	\$ 5,729	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841	\$ 7,046
6180 Repairs & Maintenance - Equipment	2	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619
6190 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6200 Restoration Services	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6210 Street Sweeping	2	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802	\$ 23,486
6220 Tools & Supplies	2	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934	\$ 14,353
6230 Traffic Safety Equipment	2	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633	\$ 652
6240 Training	2	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
6250 Travel & Meetings	2	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
6260 Utilities - Gas & Electric	7	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958	\$ 996
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700	\$ 5,871
6280 Utilities - Water	2	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167	\$ 3,262
<b>Subtotal: E15 Other Operating Expenses</b>		<b>\$ 3,325,195</b>	<b>\$ 3,532,918</b>	<b>\$ 3,907,770</b>	<b>\$ 5,590,762</b>	<b>\$ 5,087,721</b>	<b>\$ 3,849,432</b>	<b>\$ 3,964,106</b>	<b>\$ 4,082,213</b>	<b>\$ 4,203,854</b>	<b>\$ 4,329,136</b>
<b>E65 Transfers</b>											
6900 Interfund Transfers - Expenditures (6)	2	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756	\$ 1,128,629
<b>Subtotal: E65 Transfers</b>		<b>\$ 865,000</b>	<b>\$ 890,950</b>	<b>\$ 917,679</b>	<b>\$ 945,209</b>	<b>\$ 973,565</b>	<b>\$ 1,002,772</b>	<b>\$ 1,032,855</b>	<b>\$ 1,063,841</b>	<b>\$ 1,095,756</b>	<b>\$ 1,128,629</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 4,190,195</b>	<b>\$ 4,423,868</b>	<b>\$ 4,825,448</b>	<b>\$ 6,535,971</b>	<b>\$ 6,061,286</b>	<b>\$ 4,852,204</b>	<b>\$ 4,996,962</b>	<b>\$ 5,146,053</b>	<b>\$ 5,299,610</b>	<b>\$ 5,457,765</b>
<b>Total: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 5,232,090</b>	<b>\$ 5,498,368</b>	<b>\$ 5,933,587</b>	<b>\$ 7,678,813</b>	<b>\$ 7,239,931</b>	<b>\$ 6,067,787</b>	<b>\$ 6,250,653</b>	<b>\$ 6,439,062</b>	<b>\$ 6,633,184</b>	<b>\$ 6,833,192</b>

Prepared By NBS

Exhibit 1 (O&M)  
Page 8 of 11

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1  
Alternative Number - 4

TABLE 7 - FORECASTING ASSUMPTIONS:

ECONOMIC VARIABLES	Basis	2017	5 Year Rate Period					2023	2024	2025	2026
			2018	2019	2020	2021	2022				
Customer Growth (7)	1	—	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%	0.80%
General Cost Inflation	2	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (8)	3	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (8)	4	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (8)	5	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (8)	6	—	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (8)	7	—	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (9)	8	—	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
No Escalation	9	—	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (5)	10	20.16%	6.92%	12.08%	50.08%	-10.42%	-28.08%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

- Revenues for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.
- In FY 2015/16, there was a one time settlement from Padre Dam. Source file: *budgetEmail 4.13.16.pdf*.
- Interest earnings are per the City's Revenue Summary for FY 2016/17, and are calculated in the Financial Plan for all future years.
- Expenses for FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.  
Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
- San Diego Metro cost for FY 2016/17 through 2021/22 from October JPA agenda item Pure Water Program Update, high range cost for each year (page 44). Then 3% annually.
- Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail 4.13.16.pdf*.
- Client provided source file: *Lemon Grove Sewage Flow Projections.pdf*, and then actual calculations of raw data was completed in source file: *Lemon Grove Growth Projections.xlsx*.
- NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
- The source of the electricity inflation factor is the projected nominal escalation rate for 2006-2020, for Southern California Edison customers as referenced in the following study: *The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040* by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis.
- The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data.  
Client provided source file: *City of San Diego-Transportation Rate Feb 2016.pdf*, pg. 2.



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

EXHIBIT 2  
Alternative Number - 4

TABLE 8 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	5 Year Rate Period									
	Budget FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Funding Sources:										
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve	1,545,000	1,222,496	1,639,091	1,688,263	372,387	-	5,061	638,534	1,036,482	1,272,791
Rate Revenue	-	368,854	-	-	1,366,524	1,791,078	1,708,629	1,124,539	779,483	597,652
<b>Total Sources of Capital Funds</b>	<b>\$ 1,545,000</b>	<b>\$ 1,591,350</b>	<b>\$ 1,639,091</b>	<b>\$ 1,688,263</b>	<b>\$ 1,738,911</b>	<b>\$ 1,791,078</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>
Uses of Capital Funds:										
Total Project Costs	\$ 1,545,000	\$ 1,591,350	\$ 1,639,091	\$ 1,688,263	\$ 1,738,911	\$ 1,791,078	\$ 1,711,721	\$ 1,763,073	\$ 1,815,965	\$ 1,870,444
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 9 - Capital Improvement Program Costs (in Current-Year Dollars) (1):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Main Maintenance Project (Construction)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures (2)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>	<b>\$ 1,391,786</b>

Average used for Future year projects: \$ 1,391,786

TABLE 10 - Capital Improvement Program Costs (in Future-Year Dollars):

Project Description	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Federal Blvd Sewer Rehab (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ 298,513	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ 103,000	\$ 106,090	\$ 109,273	\$ 112,551	\$ 115,927	\$ 119,405	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 1,030,000	\$ 1,060,900	\$ 1,092,727	\$ 1,125,509	\$ 1,159,274	\$ 1,194,052	\$ -	\$ -	\$ -	\$ -
Contingent Costs	\$ 154,500	\$ 159,135	\$ 163,909	\$ 168,826	\$ 173,891	\$ 89,554	\$ -	\$ -	\$ -	\$ -
Sewer Rate Study	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,554	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future CIP Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 1,545,000</b>	<b>\$ 1,591,350</b>	<b>\$ 1,639,091</b>	<b>\$ 1,688,263</b>	<b>\$ 1,738,911</b>	<b>\$ 1,791,078</b>	<b>\$ 1,711,721</b>	<b>\$ 1,763,073</b>	<b>\$ 1,815,965</b>	<b>\$ 1,870,444</b>

TABLE 11 - FORECASTING ASSUMPTIONS:

Economic Variables	5 Year Rate Period									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Construction Cost Inflation, Per Engineering News Record (3)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34

- Budgeted CIP project costs from source file: CIP through 2020-21.pdf.
- Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21.
- For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015. Source: Engineering News Record website (<http://enr.construction.com>).

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Exhibit 2 (CIP)  
Page 10 of 11



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Existing Sewer Rate Schedule

EXHIBIT 4  
*Alternative Number - 4*

TABLE 12

Annual Sewer Use Charges	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
		4.00%	6.00%	8.00%	9.00%	10.00%
Rate Per EDU (240 gpd)	\$553.17	\$575.30	\$609.81	\$658.60	\$717.87	\$789.66

1. Ordinance No.26.pdf

Prepared By NBS

Exhibit 3 (Rates)  
Page 11 of 11

# Attachment B

## APPENDIX B

This appendix includes Attachment 7B to the October 6, 2016 Metro Wastewater JPA meeting agenda. The attachment includes the annual cost estimates and Pure Water Phase 1 Cost Allocations that are used in the analysis for this study.



**Attachment 7B  
Annual Planning Estimates and Pure  
Water Phase 1 Cost Allocation**

PROJECTED PARTICIPATING AGENCY CONTRIBUTION ESTIMATES <sup>3</sup>

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
O&M <sup>1</sup>	\$ 126,481,524	\$ 136,377,600	\$ 142,075,400	\$ 145,376,000	\$ 161,735,878	\$ 178,205,756
Debt Service	68,166,070	75,982,234	77,125,111	77,122,382	88,066,972	79,747,939
Metro Baseline	15,067,708	26,188,309	18,167,098	12,993,261	12,036,688	12,568,354
Metro Pure Water <sup>2</sup>	13,031,965	27,145,387	41,409,167	160,758,892	154,892,168	7,843,778
Subtotal	\$ 222,747,267	\$ 265,693,530	\$ 278,776,776	\$ 396,250,535	\$ 416,731,706	\$ 278,365,827
SRF Funding Metro Baseline	-	(18,529,849)	(11,850,000)	(2,142,412)	-	-
SRF Funding Metro Pure Water	-	(9,966,501)	(2,800,681)	(7,869,067)	(75,066,473)	(22,466,676)
Revenue Offset Estimate	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Total	\$ 217,747,267	\$ 232,197,180	\$ 259,126,095	\$ 381,239,056	\$ 336,671,233	\$ 250,899,151
Estimated PA percentage	33.56%	33.56%	33.56%	33.56%	33.56%	33.56%
Total Estimated PA Contribution	\$ 73,071,860	\$ 77,920,977	\$ 86,957,811	\$ 127,936,608	\$ 112,980,490	\$ 84,197,004

- <sup>1</sup> Includes an assumed 2.27% annual increase in Wastewater System CIP project costs for Fiscal Years 2017 through 2020. Includes Infrastructure Asset Management Project (Metropolitan Sub-System) in Fiscal Years 2016 through 2018.
- <sup>2</sup> Reflects Maintenance and Operation Costs increasing at a 1% rate per Fiscal Year for personnel expenses, at a 3.5% rate per Fiscal Year for supplies and contracts, and at a 3.3% rate per Fiscal Year for energy/utilities.
- <sup>3</sup> Pure Water Cost Allocation projections involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. All projections, forecasts, assumptions, expressions of opinions, estimates and the forward-looking figures are expressly qualified in their entirety by this cautionary statement. Each agency should include additional contingency they feel necessary when developing rates for this component.
- <sup>2</sup> Fiscal years 2020, 2021 and 2022 include the design and construction cost for the pilot demonstration project for phase II.
- <sup>3</sup> The achievement of certain results or other expectations contained in this table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in table to be materially different from any future results, performance or achievements expressed or implied. Although, in the opinion of the Public Utilities Department, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

PROJECTED PARTICIPATING AGENCY CONTRIBUTIONS BY FISCAL YEAR – ESTIMATED POTENTIAL RANGE <sup>1</sup>

Participating Agency	Allocation	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
		Potential Range	Potential Range	Potential Range	Potential Range	Potential Range	Potential Range	Potential Range	Potential Range	Potential Range	Potential Range	Potential Range	Potential Range
China Vista	30.00%	\$ 20,858,893	\$ 23,053,792	\$ 22,338,415	\$ 24,777,353	\$ 25,085,890	\$ 27,726,465	\$ 34,677,318	\$ 41,612,782	\$ 31,065,057	\$ 37,278,068	\$ 22,343,394	\$ 26,812,073
Coronado	3.00%	\$ 2,085,819	\$ 2,305,379	\$ 2,238,141	\$ 2,477,353	\$ 2,508,585	\$ 2,772,647	\$ 3,467,732	\$ 4,161,278	\$ 3,106,506	\$ 3,727,807	\$ 2,343,339	\$ 2,812,207
Del Mar	1.00%	\$ 764,800	\$ 845,306	\$ 820,652	\$ 907,936	\$ 919,814	\$ 1,016,637	\$ 1,271,603	\$ 1,525,802	\$ 1,139,052	\$ 1,366,863	\$ 819,258	\$ 983,109
East Olay Mesa	0.10%	\$ 69,327	\$ 76,800	\$ 74,605	\$ 82,458	\$ 83,619	\$ 92,422	\$ 115,591	\$ 138,709	\$ 103,520	\$ 124,560	\$ 74,478	\$ 89,374
Escondido	3.00%	\$ 10,429,606	\$ 11,526,686	\$ 11,190,797	\$ 12,368,676	\$ 12,424,925	\$ 13,863,233	\$ 17,338,699	\$ 20,560,391	\$ 15,553,528	\$ 18,659,034	\$ 11,171,697	\$ 13,600,832
Imperial Beach	3.00%	\$ 3,242,453	\$ 3,584,453	\$ 3,480,453	\$ 3,863,453	\$ 3,863,453	\$ 4,246,453	\$ 5,309,453	\$ 6,372,453	\$ 4,783,453	\$ 5,846,453	\$ 3,651,453	\$ 4,418,453
La Mesa	7.60%	\$ 5,284,075	\$ 5,840,304	\$ 5,669,958	\$ 6,266,798	\$ 6,355,682	\$ 7,024,038	\$ 8,788,924	\$ 10,553,810	\$ 7,888,924	\$ 9,653,810	\$ 6,068,924	\$ 7,316,800
Lakeside/Alpine	5.30%	\$ 3,684,947	\$ 4,072,837	\$ 3,954,050	\$ 4,370,668	\$ 4,431,833	\$ 4,898,422	\$ 6,126,326	\$ 7,351,591	\$ 5,488,460	\$ 6,713,725	\$ 4,247,333	\$ 5,117,449
Lemon Grove	3.60%	\$ 2,502,983	\$ 2,766,455	\$ 2,685,770	\$ 2,968,482	\$ 3,010,302	\$ 3,327,176	\$ 4,161,278	\$ 4,993,534	\$ 3,727,807	\$ 4,473,368	\$ 2,851,207	\$ 3,417,645
National City	7.40%	\$ 5,145,021	\$ 5,686,602	\$ 5,520,749	\$ 6,101,880	\$ 6,187,843	\$ 6,831,195	\$ 8,535,739	\$ 10,264,486	\$ 7,662,714	\$ 9,195,257	\$ 5,511,370	\$ 6,613,645
Olney	1.00%	\$ 764,800	\$ 845,306	\$ 820,652	\$ 907,936	\$ 919,814	\$ 1,016,637	\$ 1,271,603	\$ 1,525,802	\$ 1,139,052	\$ 1,366,863	\$ 819,258	\$ 983,109
Peddie Dam	6.50%	\$ 4,519,275	\$ 4,994,088	\$ 4,849,306	\$ 5,359,260	\$ 5,435,267	\$ 6,007,401	\$ 7,533,419	\$ 9,016,103	\$ 6,730,762	\$ 8,076,915	\$ 4,841,069	\$ 5,809,282
Pine Valley	3.50%	\$ 3,545,293	\$ 3,909,145	\$ 3,804,840	\$ 4,205,590	\$ 4,264,594	\$ 4,713,459	\$ 5,895,444	\$ 7,072,173	\$ 5,281,000	\$ 6,337,372	\$ 3,798,377	\$ 4,558,052
San Marcos	8.60%	\$ 8,600,453	\$ 9,460,453	\$ 9,190,453	\$ 10,050,453	\$ 10,190,453	\$ 11,250,453	\$ 13,910,453	\$ 16,570,453	\$ 12,570,453	\$ 15,230,453	\$ 9,830,453	\$ 11,890,453
Spring Valley	8.60%	\$ 8,600,453	\$ 9,460,453	\$ 9,190,453	\$ 10,050,453	\$ 10,190,453	\$ 11,250,453	\$ 13,910,453	\$ 16,570,453	\$ 12,570,453	\$ 15,230,453	\$ 9,830,453	\$ 11,890,453
Winter Gardens	1.90%	\$ 1,321,019	\$ 1,460,073	\$ 1,417,450	\$ 1,566,492	\$ 1,588,770	\$ 1,755,009	\$ 2,196,320	\$ 2,637,631	\$ 1,997,454	\$ 2,438,765	\$ 1,553,082	\$ 1,893,079
<b>Total</b>	<b>100.00%</b>	<b>\$ 69,557,309</b>	<b>\$ 76,845,973</b>	<b>\$ 74,604,715</b>	<b>\$ 82,457,843</b>	<b>\$ 83,609,499</b>	<b>\$ 92,421,552</b>	<b>\$ 115,591,061</b>	<b>\$ 138,709,273</b>	<b>\$ 103,550,190</b>	<b>\$ 124,260,528</b>	<b>\$ 74,477,680</b>	<b>\$ 89,373,576</b>
County	15.90%	\$ 11,052,842	\$ 12,218,510	\$ 11,862,150	\$ 13,110,797	\$ 13,295,500	\$ 14,695,027	\$ 18,378,979	\$ 22,054,774	\$ 16,646,480	\$ 19,757,376	\$ 11,841,999	\$ 14,210,399

<sup>1</sup> The achievement of certain results or other expectations contained in this table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in table to be materially different from any future results, performance or achievements expressed or implied. Although, in the opinion of the Public Utilities Department, such projections are reasonable, there can be no assurance that any of all of such projections will be realized or predictive of future results.

<sup>1</sup> Pure Water Cost Allocation projections involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. All projections, forecasts, assumptions, expressions of opinions, estimates and the forward-looking figures are expressly qualified in their entirety by this cautionary statement. Each agency should include additional contingency they feel necessary when developing rates for this component.

<sup>1</sup> Potential Range estimates are based on various scenario outcomes for O&M costs, financing proceeds, baseline CIP spending, Pure Water expenditures, and Participating Agency allocations based on sampling. Ranges may not reflect actual requirements for Participating Agency contributions based on

# Attachment B

## APPENDIX C

This appendix includes Metro's 2017-2026 projected Capital Improvement Project list and the anticipated District's allocation. This attachment was used to estimate the District's share of Metro's Capital Assets.



## PUBLIC UTILITIES DEPARTMENT

ESTIMATED CIP PROJECTS FY 2017 - FY 2026

CIP PROJECTS - FUND 41508		
CIP/WBS #	TITLE	10 YEAR TOTAL
S00315	POINT LOMA - GRIT PROCESSING IMPROVEMENTS	\$ -
	TOTAL 41508	\$0

CIP PROJECTS - FUND 41509		
CIP/WBS #	TITLE	10 YEAR TOTAL
ABO00001	ANNUAL ALLOCATION-METRO TREATMENT PLANTS	\$ 3,344,451
S14000	EAM ERP IMPLEMENTATION (METRO)	\$ 3,540,000
AJB00001	ROSE CANYON TS (RCTS) JOINT REPAIR	\$ 6,489,996
ABP00002	METROPOLITAN SYSTEM PUMP STATIONS	\$ 3,792,830
S00319	EM & TS LAB ESPLANADE AND STEAM LINE RELOCATION	\$ 1,856,384
S00322	MBC BIOSOLIDS STORAGE SILOS	\$ 5,914
S00339	MBC DEWATERING CENTRIFUGES REPLACEMENT (SA)JO#141590	\$ 611,165
S00323	MBC ODOR CONTROL FACILITY UPGRADES	\$ 1,746,394
S00309	NCWRP - SLUDGE PUMP STATION UPGRADE	\$ 221,220
S00312	PUMP STATION 2 POWER RELIABILITY & SURGE PROTECTION	\$ 37,903,412
S00317	SOUTH METRO SEWER REHABILITATION PHASE 3B	\$ 8,164,957
S00314	WET WEATHER STORAGE FACILITY - LIVE STREAM DISCHARGE	\$ 5,000,000
S00099.1	VULNERABILITY MEASURES	\$ 350,000
	TOTAL 41509	\$73,026,723

With the implementation of SAP Capital Projects have WBS numbers.



# Attachment B

TABLE A

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
FISCAL YEAR 2017 ESTIMATED UNIT COSTS  
FUNCTIONAL-DESIGN COST ALLOCATION METHOD

TREATMENT PARAMETER	FY 2017 BUDGET		UNITS	COST PER UNIT
	AMOUNT	%		
WASTEWATER FLOW	\$91,352,734	49.0%	62,050 (a)	\$1,472.24 /per Million Gallons
SUSPENDED SOLIDS	\$50,205,080	26.9%	178,850 (b)	\$280.71 /per Thousand Pounds
CHEMICAL OXYGEN DEMAND	\$44,786,832	24.0%	334,705 (c)	\$133.81 /per Thousand Pounds
TOTAL	\$186,344,646	100%		

(a) Units of Flow - Million Gallons Per Year

(b) Units of SS - Thousands of Pounds per Year

(c) Units of COD - Thousands of Pounds per Year

G:\Agencies\Revenue\Projections\Jan16 sbb fy 17

Updated 1-14-16 (For January projections) P. Merino

TABLE B

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
 PROJECTED DISTRIBUTION OF SYSTEM WASTEWATER COSTS - FISCAL YEAR 2017  
 FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

AGENCY	ALLOCATION OF COSTS BY FLOW, SUSPENDED SOLIDS AND CHEMICAL OXYGEN DEMAND				expressed in percents:		
	FLOW (a)	SS (a)	COD (a)	TOTAL FLOW, SS & COD	SUSPENDED FLOW	SOLIDS	OXYGEN DEMAND
CHULA VISTA	\$8,984,628	\$4,753,591	\$4,434,302	\$18,172,521	9.84%	9.47%	9.90%
CORONADO	1,440,470	850,085	651,789	2,942,344	1.58%	1.69%	1.46%
DEL MAR	31,884	22,276	11,500	65,660	0.03%	0.04%	0.03%
EAST OTAY MESA	14,234	7,152	6,319	27,705	0.02%	0.01%	0.01%
EL CAJON	4,116,441	2,557,732	2,149,304	8,823,477	4.51%	5.09%	4.80%
IMPERIAL BEACH	1,309,518	552,861	474,741	2,337,120	1.43%	1.10%	1.06%
LA MESA	2,749,418	1,058,723	979,584	4,787,725	3.01%	2.11%	2.19%
LAKESIDE/ALPINE	1,964,277	1,157,567	939,029	4,060,873	2.15%	2.31%	2.10%
LEMON GROVE	1,294,145	575,293	535,176	2,404,614	1.42%	1.15%	1.19%
NATIONAL CITY	2,762,513	1,345,506	1,396,518	5,504,537	3.02%	2.68%	3.12%
OTAY	115,010	381,525	157,720	654,255	0.13%	0.76%	0.35%
PADRE DAM	1,366,453	1,341,203	949,719	3,657,375	1.50%	2.67%	2.12%
POWAY	1,470,076	794,108	613,050	2,877,234	1.61%	1.58%	1.37%
SPRING VALLEY	4,127,828	1,955,312	1,782,332	7,865,472	4.52%	3.89%	3.88%
WINTERGARDENS	563,662	345,866	285,584	1,195,112	0.62%	0.69%	0.64%
SUBTOTAL PARTICIPATING AGENCIES	\$32,310,557	\$17,698,800	\$15,366,667	\$65,376,024	35.37%	35.25%	34.31%
SAN DIEGO	\$59,042,176	\$32,506,279	\$29,420,164	\$120,968,619	64.63%	64.75%	65.69%
TOTAL	\$91,352,733	\$50,205,079	\$44,786,831	\$186,344,643	100.00%	100.00%	100.00%

(a) Allocations based on estimated annual flows and strength loadings - See Table C

# Attachment B

TABLE C  
CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
SYSTEM WASTEWATER CHARACTERISTICS - FISCAL YEAR 2017  
SYSTEM STRENGTH LOADINGS INCLUDED

AGENCY	WASTEWATER CHARACTERISTICS			UNADJUSTED ANNUAL USE			ADJUSTED ANNUAL USE		
	AVERAGE FLOW - mgd (a)	SS mg/l (b)	COD mg/l (b)	2017 FLOWS million gallons	SS thousand pounds	COD thousand pounds	2017 FLOWS million gallons	SS thousand pounds	COD thousand pounds
CHULA VISTA	15.780	268	746	5,759,826	12,901	35,846	6,102,677	16,934	33,139
CORONADO	2.530	299	684	923,450	2,307	5,269	978,416	3,028	4,871
DEL MAR	0.056	354	545	20,440	60	93	21,657	79	86
EAST OTAY MESA	0.025	255	671	9,125	19	51	9,668	25	47
EL CAJON	7.230	315	789	2,638,950	6,942	17,375	2,798,032	9,112	16,062
IMPERIAL BEACH	2.300	214	548	839,500	1,500	3,838	889,471	1,970	3,548
LA MESA	4.829	195	538	1,762,585	2,873	7,919	1,867,502	3,772	7,321
LAKEVIEW/ALPINE	3.450	299	722	1,259,250	3,142	7,591	1,334,206	4,124	7,018
LEMON GROVE	2.273	226	625	829,645	1,561	4,326	879,029	2,049	4,000
NATIONAL CITY	4.862	247	764	1,770,980	3,652	11,289	1,876,397	4,793	10,437
OTAY	0.202	1,683	2,072	73,730	1,035	1,275	78,119	1,359	1,179
PADRE DAM	2.400	498	1,050	876,000	3,640	7,677	928,143	4,778	7,098
POWAY	2.582	274	630	942,430	2,155	4,956	998,528	2,829	4,582
SPRING VALLEY	7.250	240	652	2,846,250	5,307	14,408	2,803,766	6,966	13,320
WINTERGARDENS	0.980	311	766	361,350	939	2,309	382,859	1,232	2,134
SUBTOTAL PARTICIPATING AGENCIES	56.749	277	717	20,713,511	48,034	124,221	21,946,471	63,050	114,840
SAN DIEGO	103.700	279	753	37,850,500	88,221	237,827	40,103,529	115,800	219,865
REGIONAL SLUDGE RETURNS	9.551	1,460	(937)	3,485,989	42,595	(27,343)			
TOTAL	170.000	345	646	62,050,000	178,850	334,705	62,050,000	178,850	334,705

(a) Estimated flows based on sewage flow projections provided by Participating Agencies & San Diego December 2015 and January 2016, except for Coronado, National City and the County.

(b) SS and COD characteristics based on samples taken by Public Utilities Environmental Monitoring and Technical services division in FY 2014.  
Otay loads based on FY 2014 Mass Balance.

Mass Balance provided by the PUD Engineering & Program Management division January 13th, 2016

TABLE D

CITY OF SAN DIEGO - METROPOLITAN WASTEWATER DEPARTMENT  
 ALLOCATION OF FISCAL YEAR 2017 ESTIMATED BUDGET  
 FUNCTIONAL-DESIGN BASED ALLOCATION METHOD

DESCRIPTION	FY 2017 BUDGET COSTS	ALLOCATION OF COSTS						
		FLOW %	FLOW COSTS	SS %	SS COSTS	COD %	COD COSTS	TOTAL COSTS
OPERATION AND MAINTENANCE :								
TRANSMISSION AND SYSTEM MAINTENANCE	\$9,304,878	100.0%	\$9,304,878	0.0%	\$0	0.0%	\$0	\$9,304,878
OPERATIONS & MAINTENANCE	46,500,000	37.3%	17,324,060	33.9%	15,763,979	28.8%	13,411,971	46,500,000
TECHNICAL SERVICES	11,000,000	30.0%	3,300,000	40.0%	4,400,000	30.0%	3,300,000	11,000,000
COGENERATION	1,000,142	0.0%	0	60.0%	600,065	40.0%	400,057	1,000,142
METRO ADMIN & GENERAL EXPENSES - 41508	12,600,072	42.1%	5,308,111	31.8%	4,000,678	26.1%	3,291,284	12,600,072
METRO ADMIN & GENERAL EXPENSES - 41509	21,899,855	42.1%	9,225,888	31.8%	6,953,473	26.1%	5,720,494	21,899,855
TOTAL OPERATIONS AND MAINTENANCE	\$102,304,947	43.46%	\$44,462,926	31.00%	\$31,718,216	25.54%	\$26,123,805	\$102,304,947
CAPITAL IMPROVEMENT PROGRAM :								
PAY-AS-YOU-GO METRO 41508	0	55.8%	0	22.0%	0	22.2%	0	0
PAY-AS-YOU-GO METRO 41509	15,873,628	55.8%	8,856,664	22.0%	3,491,845	22.2%	3,525,119	15,873,628
DEBT SERVICE	68,166,070	55.8%	38,033,144	22.0%	14,995,019	22.2%	15,137,908	68,166,071
TOTAL CAPITAL IMPROVEMENT PROGRAM	\$84,039,698	55.8%	\$46,889,808	22.0%	\$18,486,864	22.2%	\$18,663,027	\$84,039,699
TOTAL O&M & CAPITAL IMPROVEMENT PROGRAM	\$186,344,645	49.0%	\$91,352,734	26.9%	\$50,205,080	24.0%	\$44,786,832	\$186,344,646

# Attachment C

## ORDINANCE NO. 28

### AN ORDINANCE AMENDING ORDINANCE NO. 27 OF THE LEMON GROVE SANITATION DISTRICT DESCRIBING METHODS FOR CALCULATING SEWER USE CHARGES

The Board of Directors of the Lemon Grove Sanitation District does ordain as follows:

**SECTION 1.** Ordinance No. 27, Article III shall be amended to read as follows:

#### ARTICLE III

#### SEWER SERVICE CHARGES

**SECTION 30. ESTABLISHMENT OF SEWER SERVICE CHARGE.** There is hereby levied and assessed upon each premise within the district that discharges sewage into the sewer lines of the District and upon each person owning, letting or occupying such premises an annual sewer service charge.

The annual sewer service charge is made up of two components. The first component is generally based on the District's annual cost to collect and transport wastewater, and is equally divided among the number of equivalent dwelling units (EDUs) connected to the District's system. The second component is generally the District's cost for wastewater treatment and disposal as fees paid to the City of San Diego for capacity and use of the San Diego Metropolitan Sewer System, and is allocated to users of the District's system based on the users generation of annual wastewater flow, biochemical oxygen demand, and suspended solids discharged into the District's system.

For the purpose of this ordinance, the discharge characteristics of an average single family user is one EDU and shall be composed of wastewater flow of 240 gallons per day for 365 days per year and constituent levels of sewage strength of 200 milligrams per liter (mg/l) biochemical oxygen demand (BOD) and 200 milligrams per liter (mg/l) suspended solids (SS).

For the purpose of this ordinance, the discharge characteristics of commercial/industrial users is a minimum sewer capacity of 1.2 EDU for each business unit with flow quantity and strength as measured by BOD and SS as set forth in the current edition of the California State Water Resources Control Board (State) publication "*Policy For Implementing The State Revolving Fund For Construction Of Wastewater Treatment Facilities*", or comparable industry standards acceptable to the State and approved by the District's Engineer. Minimum sewage strength capacity per commercial/industrial EDU is 200 mg/l BOD and mg/l SS.

The flow and strength rate EDUs are determined for individual business units as set forth herein in Section 30.3 and are applicable to each of the various District's users under the jurisdiction of this Ordinance. The District's Engineer shall assign flow rates, BOD, and SS based upon the estimated amount of and strength of wastewater that is typically generated for each business unit. The EDUs, flow rates, BOD, and SS so assigned shall be used in computing the sewer service charges.

If potable water delivered through the water meter is used by the District to estimate the volume of wastewater discharged over a period of time, then 90% of water meter flow is estimated to be discharged into the sewer unless the discharger or legal owner presents evidence to the contrary and this evidence is satisfactory to the District's Engineer. The District's Engineer may adjust the charges for wastewater treatment and disposal in proportion to the estimated volume of wastewater discharged to the sewer.

**SECTION 30.1** Annual Sewer Service charges shall be determined by the following formula (rounded to the nearest dollar):

$$SSC = (n/N \times D) + (f/F \times M_F) + (s/S \times M_S) + (b/B \times M_b)$$

In the above formula, the following terms have the meanings and definitions as shown:

- n = Number of EDUs assigned to a particular user. EDUs are assigned as follows: 1.0 EDU each for single family dwellings, condominiums, each living unit of a multi-family dwelling, and each space for a mobile home park. Commercial/Industrial users are assigned a minimum of 1.2 EDUs, and additional EDUs may be assigned based upon Section 30.3 of this ordinance.
- f = Flow of a particular user in million gallons per year, based either upon assigned EDUs or water meter records.
- s = Suspended Solids of a particular user in pounds per year, based either upon State standards or comparable industry standards approved by the State.
- b = Biochemical Oxygen Demand of a particular user in pounds per year, based either upon State standards or comparable industry standards approved by the State.
- N = Total number of EDUs in the District. This is a summation of the EDUs assigned to all users.
- D = District budgeted costs for the fiscal year in dollars, to collect and transport wastewater. This is a net cost for District customers after non-operating revenues have been subtracted from the total District budget costs. Such budgeted costs shall include, but not be limited to operation and maintenance costs of pipelines, pump stations, and meter stations; design and construction cost of replacement facilities; and administration costs including fee collection, accounting, record maintenance, planning and code enforcement.
- M = Total District budgeted cost for the fiscal year in dollars, for treatment and disposal of wastewater. Such cost shall include, but not necessarily be limited to, fees paid to the City of San Diego for capacity in and use of the Metro System. The Metro treatment and disposal costs are further divided into cost categories as determined by the City of San Diego and allocated as follows: Flow Cost =  $M_F$  (43.7% costs); BOD Cost =  $M_b$  (30.1% of costs) and SS Cost =  $M_S$  (26.2% of costs).
- F = Total flow in the District in million gallons per year from a summation of users' flows, based either upon assigned EDUs or potable water meter records.
- S = Total Suspended Solids in the District impounds per year, from a summation of users' SS loading, based either upon State standards, or comparable industry standards approved by the State.
- B = Total Biochemical Oxygen Demand in the District impounds per year from a summation of users' BOD loading, based either upon State standards, or comparable industry standards approved by the State.

# Attachment C

**SECTION 30.2** The SSC for the Lemon Grove Sanitation District for residential units are as follows:

FISCAL YEAR 2017-2018:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$584.98
Condominium	1	240 gpd	\$584.98
Multi-Family	1	240 gpd*	\$584.98
Mobile Home	1	240 gpd*	\$584.98

FISCAL YEAR 2018-2019:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$618.61
Condominium	1	240 gpd	\$618.61
Multi-Family	1	240 gpd*	\$618.61
Mobile Home	1	240 gpd*	\$618.61

FISCAL YEAR 2019-2020:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$654.18
Condominium	1	240 gpd	\$654.18
Multi-Family	1	240 gpd*	\$654.18
Mobile Home	1	240 gpd*	\$654.18

FISCAL YEAR 2020-2021:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$691.79
Condominium	1	240 gpd	\$691.79
Multi-Family	1	240 gpd*	\$691.79
Mobile Home	1	240 gpd*	\$691.79

FISCAL YEAR 2021-2022:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$731.57
Condominium	1	240 gpd	\$731.57
Multi-Family	1	240 gpd*	\$731.57
Mobile Home	1	240 gpd*	\$731.57

\*Note that rates may be adjusted to reflect flow based upon potable water records.

**SECTION 30.3** Assignment of sewer capacity for Commercial/ Industrial business units shall be assigned in terms of EDUs. The minimum charge per commercial unit shall be 1.2 EDUs or \$701.97 per annum during FY 17/18, \$742.33 per annum during FY 18/19, \$785.01 per annum during FY 19/20, \$830.16 per annum during FY 20/21, and \$877.89 per annum during FY 21/22. Higher charges will be assessed for commercial/industrial EDU's with sewage strength higher than combined 400 mg/l BOD and SS. Flow based sewer capacity to business units shall be assigned as described in Section 50.3.

## SECTION 50.3 COMMERCIAL/INDUSTRIAL FACILITIES

Sewer capacity for Commercial/Industrial business units shall be assigned in terms of Equivalent Dwelling Units as follows:

a. Food Service Establishments		<u>EDUs</u>
1)	Take-out Restaurants with disposable Utensils, no dishwasher, and no public rest rooms.	3.0
2)	Miscellaneous food establishments-ice-cream/yogurt shops, bakeries (sales on premises only).	3.0
3)	(I) Take-out/eat in restaurants with disposable utensils, but with seating and public rest rooms.	3.0 minimum
	(II) Restaurants with re-usable utensils, seating and public rest rooms.	3.0 minimum
One EDU is assigned for each 6-seat unit as follows:		
	0 – 18 seats=	3.0 minimum
	Each additional 6-seat unit will be assigned	1.0
b. Hotels and Motels		
1)	Per living unit without kitchen	0.38
2)	Per living unit with kitchen	0.60
c. Commercial, Professional, Industrial Buildings, Establishments not specifically listed herein.		
1)	Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.	1.20
	Each additional 1,000 sq. ft. or portion thereof	0.70
2)	Where occupancy type or usage is unknown at the time of application for service, the following EDUs shall apply. This shall include but not be limited to shopping centers, industrial parks, and professional office buildings.	
	First 1,000 square feet of gross building floor area.	1.20



## Attachment C

Each additional 1,000 square feet of gross	0.70
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Building floor area. Portions less than 1,000 square feet will be prorated.

d. Self-service laundry per washer	1.00
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e. Churches, theaters and auditoriums per each 150 person seating capacity, or any fraction thereof. (Does not include office spaces school rooms, day care facilities, food preparation areas, etc. Additional EDUs will be assigned for these supplementary uses.)	1.50
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f. Schools	
Elementary schools for 50 pupils or fewer	1.00
Junior High Schools for 40 pupils or fewer values	1.00
High School for 24 pupils or fewer	1.00

Additional EDUs will be prorated based upon the above values.

The number of pupils shall be based on the average daily attendance of pupils at the school during the preceding fiscal year, computed in accordance with the education code of the State of California. However, where the school has had no attendance during the preceding fiscal year, the Director shall estimate the average daily attendance for the fiscal year for which the fee is to be paid and compute the fee based on such estimate.

**SECTION 2.** DATE OF LEVY OF NEW CHARGES. The Charges referenced above shall take effect on July 1, 2017 in the manner allowed by law.



## BACKGROUND

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In 1989, the Lemon Grove Sanitation District (District) assumed maintenance and operations of the sanitary sewer main line system from the County of San Diego. The District is a participating member of the Metropolitan Commission / City of San Diego Metropolitan Joint Powers Authority (METRO) which is a partnership of 11 municipalities and special districts that share in the use of the City of San Diego's regional wastewater system.

The District provides wastewater collection system management for the City of Lemon Grove and its residents. These services include:

- The maintenance, operation and the construction of sewer capital improvement projects for approximately 69 miles of sewer main lines in the City,
- The transportation of all wastewater to the City of San Diego Metropolitan wastewater department for treatment, and
- Shared METRO participating agency costs for maintenance, operation and the construction of capital improvements to the City of San Diego's wastewater collection system.

During the next five-year period, the shared METRO participating agency costs are anticipated to increase the District's sewer fees. The primary reasons for the increase are due to:

1. Unanticipated capital improvement program cost increases related to the Pure Water (recycled water) program that only benefit the residents of the City of San Diego.
2. Increasing costs of sewage treatment and transportation from the City of San Diego.
3. Ongoing shared operation, maintenance and capital improvement cost increases by the City of San Diego.

On February 7, 2017, the District received and reviewed a report that provided a sewer rate analysis, prepared by the District's rate consultant (NBS). This report outlines a recommended sewer service fee for the next five fiscal years based on the expenditures listed above to maintain the District's sewer system.

For more information, please visit [www.lemongrove.ca.gov](http://www.lemongrove.ca.gov).

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# Attachment D



## NOTICE OF PUBLIC HEARING

THE LEMON GROVE SANITATION DISTRICT, in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act, is hereby notifying all affected property owners of the following:

- The Lemon Grove Sanitation District (the "District") is proposing to increase its sewer service rates. The proposed increases are needed to adequately fund the ongoing costs of providing sewer service to properties within the District. Revenue from the sewer service fee pays for the operation and maintenance of, and capital improvements to, the District's sewer system.
- This notice includes the proposed schedule of rates for Fiscal Year 2017/18 through Fiscal Year 2021/22. If the proposed rate increases are adopted by the District Board, the rate will become effective July 1st of each fiscal year, commencing July 1, 2017, and remain in effect until otherwise modified by the District Board. The proposed sewer service rate cannot exceed the amount adopted by the District Board without providing further written notice to property owners.

A Public Hearing on the proposed sewer service rates will be held on April 18, 2017, at 6:00 PM at the Lemon Grove Community Center located at 3146 School Lane in the City of Lemon Grove. The District Board will hear and consider all oral and written testimony concerning the proposed sewer service rates.

## HOW YOUR SEWER SERVICE FEE IS CALCULATED

The sewer service fee is an annual fee on your property tax bill and is determined based upon the classification of your property, as listed and determined by District Ordinance. Each property is assigned equivalent dwelling units (EDU) based upon such classification of property, and the number of assigned EDUs is multiplied by the Rate Per EDU to determine a property's annual sewer service fee.

## PROPOSED SEWER SERVICE RATES

The proposed sewer service rates for Fiscal Year 2017/18 through Fiscal Year 2021/22 are compared to the current sewer service rate for Fiscal Year 2016/17 in the following table:

Current Rate Per EDU	Maximum Annual Proposed Rate Per EDU				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
<b><i>\$553.17</i></b>	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58

## EDU ASSIGNMENTS PER PROPERTY CLASSIFICATION

CLASSIFICATION	EDU
<b>Residential</b>	
Single Family (per dwelling unit)	1.00
Condominium (per dwelling unit)	1.00
Multi-Family (per dwelling unit)	1.00
Mobile Home (per dwelling unit)	1.00
<b>Commercial/Industrial Facilities</b>	
<b>A. FOOD SERVICE ESTABLISHMENTS:</b>	
1. Take-out restaurants with disposable utensils, no dishwasher, and no public restrooms	3.00
2. Miscellaneous food establishments - ice cream/yogurt shops, bakeries (sales on premises only)	3.00
3. (i) Take-out/eat in restaurants with disposable utensils, but with seating and public restrooms <sup>1</sup>	3.00
(ii) Restaurants with re-usable utensils, seating and public restrooms <sup>1</sup>	3.00

One EDU is assigned for each 6-seat unit as follows:	
0 -18 seats <sup>1</sup>	3.00
Each additional 6-seat unit	1.00
<b>B. HOTELS AND MOTELS:</b>	
1. Per living unit without kitchen	0.38
2. Per living unit with kitchen	0.60
<b>C. COMMERCIAL, PROFESSIONAL, INDUSTRIAL BUILDINGS, ESTABLISHMENTS NOT SPECIFICALLY LISTED HEREIN:</b>	
1. Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.	1.20
Each additional 1,000 sq. ft., or portion thereof	0.70
2. Where occupancy type or usage is unknown at the time of application for service	
First 1,000 sq. ft. of gross building floor area	1.20
Each additional 1,000 sq. ft. gross building floor area, or portion thereof	0.70
<b>D. SELF-SERVICE LAUNDRY PER WASHER</b>	1.00
<b>E. CHURCHES, THEATERS, AND AUDITORIUMS PER EACH 150 PERSON SEATING CAPACITY, OR PORTION THEREOF</b>	1.50
<b>F. SCHOOLS</b>	
1. Elementary schools for 50 pupils or fewer	1.00
2. Junior High Schools for 40 pupils or fewer	1.00
3. High School for 24 pupils or fewer	1.00
<b>Additional EDUs will be prorated based upon the above values</b>	

<sup>1</sup> – Minimum EDU assignment is shown.

## COMMENTS AND WRITTEN PROTEST

Any property owner that is a part of the District's sewer service, may submit a written protest to the proposed increases to the sewer service rates. Only one protest will be counted per identified parcel. Each protest must (1) be in writing; (2) state that the identified property owner is in opposition to the proposed sewer service rates; (3) provide the location of the identified parcels (by assessor's parcel number or street address); and (4) include the signature of the property owner submitting the protest.

Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the District Clerk, or at the Public Hearing, so long as it is received prior to the conclusion of the Public Hearing. Please identify on the front of the envelope for any protest, whether mailed or submitted in-person to the District Clerk, that the enclosed letter is for the Public Hearing on the Proposed Sewer Service Rates.

Written protests will be tabulated pursuant to procedures adopted by the District Board. If, at the conclusion of the Public Hearing, written protests received regarding the proposed increases to the sewer service rates are not presented by a majority (50% plus 1) of property owners of the identified parcels upon which they are proposed to be imposed, the District Board will be authorized to adopt the proposed rates.

**Prior to the Public Hearing, please mail or hand-deliver written protests to:**

Lemon Grove Sanitation District  
Office of the District Clerk  
RE: PUBLIC HEARING ON PROPOSED  
SEWER SERVICE RATES  
3232 Main Street  
Lemon Grove, CA 91945

**You may also hand-deliver written protests at the Public Hearing, to be held at:**

Lemon Grove Community Center  
April 18, 2017 @ 6:00 PM  
3146 School Lane  
Lemon Grove, CA 91945



# Attachment D



## ANTECEDENTES

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En 1989, el Distrito Sanitario de Lemon Grove (Distrito) se hizo cargo del mantenimiento y las operaciones del alcantarillado sanitario principal del Condado de San Diego. El Distrito es miembro participante de la Comisión Metropolitana y el Consejo Interagencial Metropolitano de la Ciudad de San Diego (METRO), que es una asociación de 11 municipios y distritos especiales que comparten el uso del sistema regional de aguas residuales de la Ciudad de San Diego.

El Distrito administra el sistema de recolección de aguas residuales de la Ciudad de Lemon Grove y sus residentes. Entre estos servicios se incluyen los siguientes:

- El mantenimiento, la operación y la construcción de proyectos de mejora de capital en materia de alcantarillado en alrededor de 69 millas de redes principales de alcantarillado en la Ciudad,
- El transporte de toda el agua residual al departamento Metropolitano de aguas residuales de la Ciudad de San Diego para su tratamiento, y
- Los costos compartidos de la agencia participante METRO para el mantenimiento, la operación y la construcción de mejoras de capital para el sistema de recolección de aguas residuales de la Ciudad de San Diego.

Se prevé que, durante el siguiente período de cinco años, los costos compartidos de la agencia participante METRO aumentarán las tarifas del servicio de alcantarillado del Distrito. Los motivos principales del aumento se deben a lo siguiente:

1. Aumentos imprevistos de los costos del programa de mejora de capital relativos al Programa de Agua Pura "Pure Water" (agua reciclada) que solo benefician a los residentes de la Ciudad de San Diego.
2. Costos cada vez mayores del tratamiento y transporte de aguas residuales desde la Ciudad de San Diego.
3. Aumentos constantes de los costos compartidos de operación, mantenimiento y mejora de capital por parte de la Ciudad de San Diego.

El 7 de febrero de 2017, el Distrito recibió y revisó un informe en el que se proporcionaba un análisis de las tarifas del servicio de alcantarillado, elaborado por el asesor en tarifas del Distrito (NBS). Este informe detalla una tarifa recomendada por el servicio de alcantarillado para los próximos cinco ejercicios fiscales basada en los gastos enumerados anteriormente con el fin de mantener el sistema de alcantarillado del Distrito.

Para obtener más información, visite el sitio [www.lemongrove.ca.gov](http://www.lemongrove.ca.gov).

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## AVISO SOBRE AUDIENCIA PÚBLICA

**EL DISTRITO SANITARIO DE LEMON GROVE, en cumplimiento con el Artículo XIIID de la Constitución del Estado de California y la Ley de Implementación de la Propuesta Ómnibus 218, notifica lo siguiente a todos los propietarios afectados:**

- El Distrito Sanitario de Lemon Grove (el “Distrito”) propone aumentar las tarifas por el servicio de alcantarillado. Los aumentos propuestos son necesarios para financiar adecuadamente los costos en curso de la prestación del servicio de alcantarillado a las propiedades dentro del Distrito. Con los ingresos obtenidos de la tarifa del servicio de alcantarillado se paga la operación, el mantenimiento y las mejoras de capital en materia de alcantarillado del Distrito.
- Este aviso incluye el programa de tarifas propuesto para el Ejercicio Fiscal 2017/18 hasta el Ejercicio Fiscal 2021/22. Si la Junta del Distrito adopta los aumentos propuestos de las tarifas, la tarifa entrará en vigencia el 1 de julio de cada ejercicio fiscal, a partir del 1 de julio de 2017, y seguirá vigente hasta que la Junta del Distrito la modifique. La tarifa propuesta por el servicio de alcantarillado no puede exceder el importe adoptado por la Junta del Distrito sin mediar primero un aviso por escrito a los propietarios.

Se llevará a cabo una audiencia pública sobre las tarifas propuestas del servicio de alcantarillado el 18 de abril de 2017 a las 6:00 p. m. en el Centro Comunitario de Lemon Grove, que se encuentra en 3146 School Lane en la Ciudad de Lemon Grove. La Junta del Distrito escuchará y tendrá en cuenta todo testimonio verbal y escrito relativo a las tarifas propuestas del servicio de alcantarillado.

## CÁLCULO DE SU TARIFA POR EL SERVICIO DE ALCANTARILLADO

La tarifa por el servicio de alcantarillado es una tarifa anual que se cobra a través de su factura de impuesto sobre la propiedad y se determina en función de la clasificación de su propiedad, como se enumera y determina en la Ordenanza del Distrito. A cada propiedad se asignan unidades de vivienda equivalentes (EDU) sobre la base de dicha clasificación de la propiedad, y el número de EDU asignadas se multiplica por la Tarifa Por EDU con el fin de determinar la tarifa anual por el servicio de alcantarillado de una propiedad.

## TARIFAS PROPUESTAS POR EL SERVICIO DE ALCANTARILLADO

En la siguiente tabla se comparan las tarifas propuestas por el servicio de alcantarillado para el Ejercicio Fiscal 2017/18 hasta el Ejercicio Fiscal 2021/22 con la tarifa actual por el servicio de alcantarillado para el ejercicio fiscal 2016/17:

Tarifa Actual Por EDU	Tarifa anual máxima propuesta por EDU				
	Ejercicio fiscal de 2017/18	Ejercicio fiscal de 2018/19	Ejercicio fiscal de 2019/20	Ejercicio fiscal de 2020/21	Ejercicio fiscal de 2021/22
<b>\$553.17</b>	\$584.98	\$618.61	\$654.18	\$691.80	\$731.58

## ASIGNACIONES DE EDU POR CLASIFICACIÓN DE LA PROPIEDAD

CLASIFICACIÓN	EDU
<b>Residencial</b>	
Unifamiliar (por unidad de vivienda)	1.00
Condominio (por unidad de vivienda)	1.00
Multifamiliar (por unidad de vivienda)	1.00
Casa móvil (por unidad de vivienda)	1.00

# Attachment D

<b>Instalaciones Comerciales/Industriales</b>	
<b>A. ESTABLECIMIENTOS DE SERVICIOS GASTRONÓMICOS:</b>	
1. Restaurantes de comidas para llevar con cubiertos descartables, sin lavavajillas ni baños públicos	3.00
2. Establecimientos de comidas varias: tiendas de venta de helado/yogur, panaderías (ventas únicamente en las instalaciones)	3.00
3. (i) Restaurantes de comidas para llevar y en los que se puede comer con cubiertos descartables, pero con asientos y baños públicos <sup>1</sup>	3.00
(ii) Restaurantes con cubiertos reutilizables, asientos y baños públicos <sup>1</sup>	3.00
Se asigna una EDU por cada unidad de 6 asientos de la siguiente manera:	
0 a 18 asientos <sup>1</sup>	3.00
Cada unidad adicional de 6 asientos	1.00
<b>B. HOTELES Y MOTELES:</b>	
1. Por unidad habitacional sin cocina	0.38
2. Por unidad habitacional con cocina	0.60
<b>C. EDIFICIOS COMERCIALES, PROFESIONALES, INDUSTRIALES; ESTABLECIMIENTOS NO ENUMERADOS ESPECÍFICAMENTE EN EL PRESENTE:</b>	
1. Toda oficina, tienda o condominio o establecimiento industriales. Primeros 1,000 pies cuadrados	1.20
Cada 1,000 pies cuadrados adicionales o su porción correspondiente	0.70
2. Cuando se desconoce el tipo de ocupación o el uso en el momento que se realiza la solicitud del servicio	
Primeros 1,000 pies cuadrados de superficie construida	1.20
Cada 1,000 pies cuadrados adicionales de superficie construida o su porción correspondiente	0.70
<b>D. AUTOSERVICIO DE LAVANDERÍA POR MÁQUINA DE LAVAR</b>	1.00
<b>E. IGLESIAS, TEATROS Y AUDITORIOS POR CADA 150 PLAZAS O LA PORCIÓN CORRESPONDIENTE</b>	1.50
<b>F. ESCUELAS</b>	
1. Escuelas primarias de 50 alumnos o menos	1.00
2. Escuelas Intermedias de 40 alumnos o menos	1.00
3. Escuela Secundaria de 24 alumnos o menos	1.00
Se prorratearán EDU adicionales en función de los valores anteriores	

1 – Se muestra la asignación mínima de EDU.

## COMENTARIOS Y PROTESTO ESCRITO

Todo propietario que forme parte del servicio de alcantarillado del Distrito puede enviar un protesto escrito sobre los aumentos propuestos relativos a las tarifas por el servicio de alcantarillado. Solo se contará un protesto por parcela identificada. Cada protesto debe (1) estar por escrito; (2) indicar que el propietario identificado se opone a las tarifas propuestas por el servicio de alcantarillado; (3) proporcionar la ubicación de las parcelas identificadas (mediante número de catastro o domicilio); y (4) incluir la firma del propietario que envía el protesto.

No se aceptarán protestos enviados por correo electrónico, fax u otro medio electrónico. Los protestos se pueden enviar por correo al Secretario del Distrito o presentarse en la Audiencia Pública, siempre que se reciban antes de que concluya la Audiencia Pública. Identifique en el frente del sobre de todo protesto, independientemente de que se envíe por correo o se presente en persona al Secretario del Distrito, que la carta adjunta está dirigida a la Audiencia Pública sobre las Tarifas Propuestas por el Servicio de Alcantarillado.

Los protestos escritos se clasificarán de acuerdo con los procedimientos adoptados por la Junta del Distrito. Si, cuando concluya la Audiencia Pública, los protestos escritos recibidos relativos a los aumentos propuestos de las tarifas por el servicio de alcantarillado no alcancen una mayoría (50% más 1) de los propietarios de las parcelas identificadas sobre las cuales se propone imponer el aumento, la Junta del Distrito quedará autorizada a adoptar las tarifas propuestas.

**Con anterioridad a la Audiencia Pública, envíe por correo o entregue en mano los protestos escritos a:**

Lemon Grove Sanitation District  
Office of the District Clerk  
RE: PUBLIC HEARING ON PROPOSED  
SEWER SERVICE RATES  
3232 Main Street  
Lemon Grove, CA 91945

**También puede entregar en mano los protestos escritos en la Audiencia Pública, que se llevará a cabo en el:**

Centro Comunitario de Lemon Grove  
18 de abril de 2017 a las 6:00 p. m.  
3146 School Lane  
Lemon Grove, CA 91945